



MASTERING FINANCIAL PLANNING FOR RETIREMENT LIVING IN A LIFE PLAN COMMUNITY



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ACCORDING TO THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, AN ESTIMATED 70% OF PEOPLE OVER AGE 65 WILL REQUIRE SOME FORM OF LONG-TERM CARE SERVICES DURING THEIR LIVES.

Because it's impossible to predict whether you or your loved one will be one of the 30% who won't, it's crucial to plan for "what if."

While many families don't even consider senior living, automatically assuming they can't afford it, care at home has its costs as well, both in dollars and in emotional toll. Don't let this leave you discouraged; you do have options — more than you may think actually.

In this guide we'll help you explore the funding sources available, understand how to build a budget and compare home care versus senior living, so you can make an informed decision for your long-term care needs.



SECTION ONE

FUNDING SOURCES FOR SENIOR CARE AND HOUSING

Long-term care may be more affordable than you think when you consider all the funding sources that may be available to you.

Funds for Long-Term Care

YOUR HOME

Consider a sale, renting it or a reverse mortgage.



YOUR SAVINGS

Have you put away rainy day funds in a bank account? Do you have stocks, bonds or annuities?

YOUR INCOME

Do you receive Social Security or a pension? Are you paid dividends from stocks?



OTHER OPTIONS

Veterans may qualify for the Aid & Attendance benefit. Life insurance conversions and/or long-term care insurance may also be options.



Long-Term Care Insurance

Long-term care (LTC) insurance helps to pay for the cost of home care, adult day care, assisted living, memory care, skilled nursing, respite care and hospice by covering services typically not covered by health insurance, Medicare or Medicaid.

Policies often cover some services at home, such as meal preparation or housekeeping as long as it is in conjunction with the personal care services you receive.

How it works:

Many LTC policies begin to pay benefits once an assessment has determined you need help with two or more Activities of Daily Living or cognitive impairments; otherwise known as a benefit trigger. The insurance company will approve a Plan of Care. Then you will have an elimination period, typically 30, 60, or 90 days after the benefit trigger occurs before you start receiving payment for service. During this time you must cover the cost of services you receive.

What to expect:

Once the benefits begin many policies pay your costs up to a pre-set daily limit until your lifetime maximum is reached.



Life Insurance Conversion

Many people don't realize that converting a life insurance policy into a Long-Term Care Benefit Plan is an option. Yet anyone with an in-force life insurance policy can transform it into a pre-funded financial account that disburses a monthly benefit to help pay for long-term care needs such as home care, assisted living, skilled nursing and hospice. Unlike life insurance, this account is a Medicaid qualified asset.

How it works:

The conversion process transfers ownership of a life insurance policy from the original holder to an entity that acts as the benefits administrator. Because the original owner no longer holds the policy, it won't count against them in the Medicaid spend down process.

The benefits administrator assumes all responsibility for paying the monthly premiums on the policy to the insurance company and agrees to pay the previous policy holder a series of monthly payments based on the value of their policy. These payments can then be used to pay for your long-term care.

The pros

- You can convert any type of life insurance plan: whole, term or universal.
- There are no monthly premium payments; monthly payout amounts are adjustable based on how many months you want to receive payments.
- Monthly payouts don't count against qualifying for Medicaid coverage; a long-term care benefit plan is recognized by Medicaid as an acceptable spend-down during the five year look-back period.
- A long-term care benefit plan is comprised of "private pay" dollars, which means that it can be used to pay for any kind of care—home care, assisted living, skilled nursing and hospice.
- A special fund is set aside for future funeral expenses.





The cons

- You must have an immediate need for some form of acceptable long-term care, because monthly payments are made directly to a long-term care provider, not the previous holder of the life insurance policy.
- Individuals with smaller policies (\$10,000 or less) may be better off holding on to their plan or giving it up in exchange for the cash surrender value. Or those who have a life insurance policy with a large cash value built in (e.g. a \$100,000 policy with a \$90,000 cash value) may be better off taking that cash value.

What to expect:

There are no application fees or obligations to apply and the typical enrollment time is 30-45 days. Once a policy is converted by the owner, the Long-Term Care Benefit payments begin immediately, and the enrollee is relieved of any responsibility to pay any more premiums.

Sources: Bankrate.com, Administration on Aging, U.S. Department of Veterans Affairs

Funding Tip

Some states offer Medicaid waiver programs and respite grants. And some communities reserve a percentage of apartments for lower income older adults, so it's always good to ask.

Common Misperceptions

Many people incorrectly assume that Medicare, Medicaid and/or their health insurance will cover their long-term care. Here are the facts.

Medicare only pays for long-term care if you require skilled services or rehabilitative care:

- In a nursing home for a maximum of 100 days, however, the average Medicare covered stay is much shorter (22 days).
- At home if you are also receiving skilled home health or other skilled in-home services. Generally, long-term care services are provided only for a short period of time.

It does not pay for non-skilled assistance with Activities of Daily Living (ADL), which make up the majority of long-term care services.

Medicaid does pay for the largest share of long-term care services, but to qualify, your income must be below a certain level, and you must meet minimum state eligibility requirements based on the amount of assistance you need with ADL.

Health insurance through employers or private health insurance typically cover only the same kinds of limited services as Medicare. If they do cover long-term care, it is typically only for skilled, short-term, medically necessary care.

SECTION TWO

THE COST OF LONG-TERM CARE

Over the past 15 years, the cost of long-term care services has steadily risen across the United States, according to the Genworth 2023 Cost of Care Survey.

Average monthly costs for long-term care 44 hours per week:

Services at home – Help with household tasks that cannot be managed alone: \$5,720

Home health aide services – “Hands-on” personal care for a few hours each day, but no medical care: \$6,292

Adult Day Services – Social and support services in a community-based, protective setting: \$2,058

Assisted living – A residential arrangement providing personal care and health services with 24/7 access to staff: Private, one-bedroom: \$5,350

Nursing home care – Often a higher level of supervision and care than in assisted living with onsite nursing 24/7; also known as skilled care: Semi-private room: \$8,669; Private room: \$9,733

The Trends

Genworth states that from 2004 to 2023, the cost for senior living and in-home care services has risen on average from 1.5% – 3.8% per year. At this rate, some care costs are outpacing the U.S. inflation rate of 2.1% by almost double.

If you're like most people, you probably aren't sure whether you can afford these costs. Luckily there are funding options that may be able to help.

Why Are Home Care Costs Increasing?

Care provided by home health aides is costlier than ever. Genworth research points to these factors for continuing increases:

- Low unemployment
- Wage pressures
- Regulatory changes
- Labor shortages
- Sicker patients
- Employee retention challenges





SECTION THREE

HOW TO PREPARE FINANCIALLY

While every family's circumstances are different, there are three general steps you should follow in budgeting for long-term care.

First, gather and organize financial documents for yourself or your loved one, such as:

- Bank and brokerage account information
- Deeds and mortgage papers
- Insurance policies
- Monthly or outstanding bills
- Pension and other retirement benefits
- Social Security payment information
- Stock and bond certificates

Second, get the family together to discuss putting a financial plan in place. Talk about your wishes, needs and goals as well as how to handle ongoing financial duties, including paying bills, managing benefit claims, making investment decisions, and preparing tax returns.

Third, it's important to consult a financial advisor and/or estate planning attorney who specializes in elder care and/or long-term care planning to discuss:

- Insurance options
- Pension, retirement benefits, and personal property that may be potential income
- Programs in which you are eligible
- Potential tax deductions
- Analyzing investment portfolio with your loved one's long-term needs in mind

SECTION FOUR

COMPARING THE COST OF HOME VERSUS SENIOR LIVING

At first glance it may seem that staying at home costs less, but make sure you're comparing the total cost of living at home, not simply your mortgage and rent costs, as this has a large impact on affordability. At home, you also pay for food, utilities, home maintenance, property taxes, insurance, entertainment and healthcare. Factor those costs into your current monthly expenses for a more apples-to-apples comparison with potential senior living costs.

The Hidden Costs of Free Caregiving

When considering senior living options, many older adults and their families contemplate relying on “free” caregivers – typically family members or close friends. While this arrangement may seem cost-effective at first glance, it's crucial to understand the hidden financial and emotional costs associated with this decision.

Financial Implications

1. **Reduced Income:** Family caregivers often need to reduce their work hours or even quit their jobs to provide adequate care. This can lead to:
 - Loss of current income
 - Reduced future earning potential
 - Decreased retirement savings
2. **Out-of-Pocket Expenses:** Caregivers frequently cover various expenses, including:
 - Transportation costs for medical appointments
 - Home modifications for safety and accessibility
 - Medical supplies and equipment not covered by insurance
3. **Long-term Financial Impact:** The cumulative effect of reduced income and increased expenses can significantly impact a family's financial stability and future planning.

Emotional Toll

The non-monetary costs of family caregiving can be equally significant:

1. **Stress and Burnout:** Caregiving is often physically and emotionally demanding, leading to:
 - Chronic stress and anxiety
 - Increased risk of depression
 - Neglect of personal health and well-being
2. **Relationship Strain:** The caregiving dynamic can alter family relationships:
 - Role reversal between parent and child
 - Tension with siblings over caregiving responsibilities
 - Reduced time for other family members and personal relationships
3. **Career Sacrifices:** Caregivers may experience:
 - Lost career advancement opportunities
 - Difficulty re-entering the workforce after an extended absence
 - Reduced job satisfaction due to conflicting responsibilities

Balancing Care and Quality of Life

While family caregiving can be rewarding, it's essential to weigh these hidden costs against the benefits of professional care options, such as those offered by a life plan community. Professional care can provide:

- Specialized expertise and around-the-clock support
- Opportunities for socialization and engagement for seniors
- Preserved family relationships, allowing quality time without caregiving stress

By understanding the full picture of caregiving costs, families can make informed decisions that balance financial considerations with quality of life for both seniors and their loved ones.

Cost Comparison Worksheet

Monthly Expenses	Costs at Home	Senior Living Costs
Mortgage or rent		
Caregiving		N/A
Property tax and insurance		N/A
Home maintenance and repairs		included
Lawn care and yard maintenance		included
Housekeeping		included
Utilities (<i>electricity, gas, water, trash removal, etc.</i>)		included
24-hour security		included
Transportation (<i>insurance, gas, registration, repairs</i>)		included
Dining		included
Social and entertainment		included
Exercise and wellness		included
24-hour emergency alert system		included
Total Monthly Expenses		



But what's the value?

Even if your comparison shows a senior living community may cost more, make sure to keep the positive impact on quality of life in the equation. And remember, there's no price tag on peace of mind.



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Presbyterian
Manors Of
Mid-America®

2414 N. Woodlawn Blvd. | Wichita, KS 67220
(316) 685-1100 | presbyterianmanors.org

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