

Alternatives for Paying Home Health Care and Other LTC Expenses

Long-term care (LTC) expenses can be catastrophic. They can easily eat into a large portion - or perhaps all - of your retirement funds. For perspective, the 2009 per diem amount for tax-deductible LTC expenses is \$280. This means, at least to some extent, that the US government believes that \$280 a day for LTC expenses is not an unreasonable assumption.

Certainly, LTC insurance is one funding option. It provides peace of mind, providing a level of confidence that all or most LTC expenses will be covered. However, LTC insurance is expensive, and may not make sense for a number of people who do not have quite the net worth to protect and/or quite the income necessary to justify and pay for the premiums. As a result, it may be worth considering alternative options to fund LTC expenses.

One alternative is to purchase "longevity insurance", which is essentially a deferred annuity with a life income payout option. The idea is to secure a stream of income that starts at a point later in life when you are more likely to need money to pay for LTC along with ongoing living expenses. One benefit of this planning tool is that it provides a stream of income whether or not you need it to pay for LTC expenses. However, if you choose to have payments begin when you are 85, but need the income to pay LTC expenses at 80, you could be in some financial difficulty (options may be available to help with this problem).

Another solution is to use life insurance cash values to pay for LTC expenses. Some policies have LTC riders, and it is also possible to access policy funds in a couple of other ways. If you borrow the money from your cash value, be careful not to borrow too much, or you may inadvertently terminate your life insurance policy. Also, any outstanding loans will be deducted from death benefits when they become payable. Additionally, you could make use of an accelerated benefits feature, which allows you to access the cash value to pay for LTC expenses.

The family home is often a key component of seniors' net worth. The problem: getting to the money without selling the house. A home equity line of credit is one possible solution. However, the loan has to be repaid just like any regular mortgage. A reverse mortgage may offer a better solution. Using a reverse mortgage can mean that you have the money if you need it, and you do not need to repay the note while you are still living in the house.

As a reminder, Medicare does pay for some, albeit limited amounts, of LTC expenses. Medicare may help with expenses such as skilled nursing care, some home health care, physical, speech, and occupational therapy, some medical supplies and equipment. Medicaid may also provide some help with LTC expenses if you fit the criteria.

Retirement plan money may also be tapped to help pay for LTC expenses. Rather than locking everything into monthly payments, you might leave some amount as a reserve – just in case.

Rather than trying to identify a “best” solution, this article is just trying to identify alternatives to funding LTC expenses. As always, getting qualified professional advice can help determine the best approach for you.

RESOURCES:

<http://www.hhs.gov/aging/index.html>

<http://www.medicare.gov/HHCompare/Home.asp?>

<http://www.hcsservices.org/>

<http://www.assistguide.com/Consumer%20Resources/>

http://www.aarp.org/families/caregiving/caring_help/a2004-03-25-homecare.html

<http://www.csmonitor.com/2006/0103/p03s03-ussc.html>

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