Aging Lifestyles: Some come up short for long-term care

by Joe Volz and Kate Bird

A colleague revealed recently that his wife persuaded him to buy a long-term care insurance policy event though he wasn't keen on the idea.

She was petrified that one day, she would need help and didn't want her husband to spend all their assets on her care. Both her parents had succumbed after long bouts with Alzheimer's disease.

Our colleague isn't the only one with long-term care insurance on his mind. Many 50- and 60-year-olds are questioning whether they should get it. Can they afford it? Some 7 million Americans have purchased such insurance. But there is no one answer for everyone.

There are many considerations to take into account before buying a long-term care policy.

For one, the costs of long-term care are considerable, as AARP documents in an updated report, "Across the States: Profiles of Long-Term Care and Independent Living."

Medicare paid $270 per day in 2004. The drawback is that Medicare only covers a few months of nursing home care; after that, individuals must pay for it.

People who paid themselves in 2005 forked over $176 per day in a nursing facility. Those who moved into an assisted-living home paid $96 per day.

Those costs mount up. Anyone in a semiprivate room in a nursing home will pay about $66,800 on average annually. Staying in an assisted-living home will cost about $35,000. These are national averages. In many urban areas, the cost can be considerably higher.

Premiums are another consideration. Here, age is important. A person buying at 55 likely will pay around $3,000 annually on average. But those who wait until 65 can expect to pay $5,000 annually.

Experts stress that long-term coverage isn't for everyone because of its expense. People have to be in good financial shape to afford these policies. Those who have good salaries and have accumulated assets such as a house, investments and savings are in a position to buy long-term coverage in order to protect their assets.

Some advisers tell people that if they can't afford the premiums for a good long-term care policy, they shouldn't buy at all. Purchasing a watered-down policy that lacks key benefits, such as inflation protection, isn't going to be worth much down the road.

One consideration in deciding when to buy the insurance is this: Suppose you buy a policy with a premium that you can afford while you are still working - will you still be able to pay the premium when you retire and your income drops?

Many companies offer long-term care insurance, but the choices vary depending on what's covered, how much the premium will change as the buyer grows older, the amount of benefits paid daily and the duration of the benefits.

Today's long-term care policies can cover several services, including extended care at home or time spent at an adult day care center or at an assisted living facility. Some policies cover the cost of bringing skilled help into homes.

Because the choices are bewildering, experts suggest turning to a financial adviser or some other knowledgeable person for help.

"The best long-term care policy has a reasonable deductible, covers a wide range of care options, guarantees a sufficient financial benefit and is buttressed by inflation protection," writes Barbara Basler in the December AARP Bulletin.

Benefits typically begin when the policyholder no longer can perform at least two activities of daily living, such as bathing or dressing. A diagnosis of dementia or Alzheimer's disease is another trigger.

RESOURCE

"Across the States: Profiles of Long-Term Care and Independent Living," 7th edition, AARP's Public Policy Institute; 601 E St. N.W., Washington, D.C. 20049; 888-687-2277; www.aarp.org.

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