

# Don't ignore this serious retirement threat

By **STEVE VERNON MONEYWATCH** *July 17, 2017, 5:00 AM*

Many older Americans have their heads in the sand regarding the potential threat posed by long-term care. They think somebody else will pay for it, but that's usually not the case. Unfortunately, Medicare, Medicaid and medical insurance policies don't cover most long-term care costs, and most people end up paying for care out of their own resources. In addition, many people underestimate how much long-term care really costs. How real is this threat? You can read the statistics, but if you want to truly understand how serious the problem is, ask your 50-something or 60-something friends if they've had to deal with long-term care for their parents. Chances are good you'll find at least one who has had to provide care themselves, arrange for it or pay for it out of pocket.

Ask your friends about the financial burden and the strain it puts on their lives. You'll likely get an earful about careers put on hold, the lack of time for family and outside interests, arguments with siblings and spouses, and sleepless nights filled with anxiety about making the money last -- and providing care that's really helpful. My wife and I have both had to address these issues with our parents. While we both gladly pitched in to care for them -- it was simply the right thing to do -- our experience also motivated us to plan ahead to prevent

this from happening to us and to help eliminate the resulting strain on our children.

So what can you do to prepare for this serious threat?

First, don't ignore the problem or assume it can't happen to you. If you do nothing, you're simply hoping that your family or public assistance will take care of you if you ever need long-term care -- and that's not a good strategy.

No magic bullet will easily or cheaply address the threat of long-term-care expenses, but you can do things that will help. If you want to protect yourself and your family, consider taking one or more of the following steps:

- Be very serious about taking care of your health to minimize the odds you'll eventually need long-term care.
- Shop for long-term care insurance. If the premiums are too high for your budget, consider buying "catastrophic" insurance or a policy that will pay for some, but not all, of the potential expenses (some insurance is better than none). Look for ways to reduce your premium costs. Long-term care insurance costs less if you buy it at an early age. And in some cases, you can buy it through your employer at more favorable rates than if you bought it on your own.
- Maintain a reserve of savings that's dedicated to long-term care and won't be used for generating retirement income. Or just use interest and dividends for retirement income, and preserve the principal in case you need it for long-term care.

\*Note that you'll need at least a few hundred thousand dollars of savings for these strategies to protect you in the event you need long-term care for an extended period.

- Consider using your home equity as a reserve to pay for potential long-term care costs. One possibility is to keep your home debt-free and hold it in reserve until you need it for long-term care. Another possibility is to take out a reverse mortgage line of credit before you need it for long-term care, and let it grow until you might need it.
- Buy a qualified longevity annuity contract, known as a QLAC, that will provide an additional stream of income at an advanced age when you might need long-term care, such as age 85.
- Stay on good terms with your kids. Even if you've taken care of paying for long-term care expenses, they'll most likely be involved with planning and arranging for your care.

Be sure to include your spouse when developing your strategies, and tell your children and close relatives about your plans. This way, they'll all know your objectives and can carry out your wishes in the event you're unable to tell them later.

If you do buy long-term-care insurance, you'll need to include the premiums in your budget for living expenses, since you'll most likely be paying them for the rest of your life.

One more thing: This is a very serious issue for women.

When you visit a long-term-care institution, you'll see most residents are women. That's because women typically outlive their husbands and then have no one to care for them.

Also, the wife is often the primary caretaker if the husband needs long-term care, which can be quite a strain, sometimes pushing her into a facility soon after her husband passes away.

Planning for long-term care may not be the most exciting part of your retirement strategy, but it's something you can't afford to ignore. If you address this very real threat, you can have some peace of mind about the future, which will allow you to enjoy what you really want to do in your retirement.