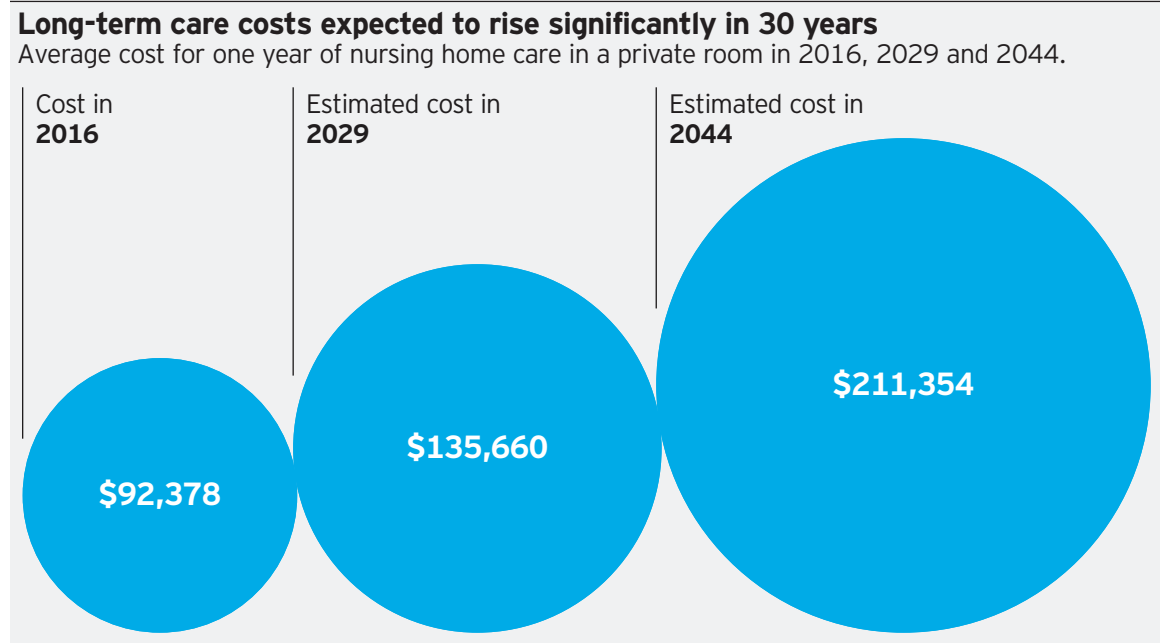




Planning for long-term care: Budgeting for the unknown

One of our biggest fears as we age is becoming a burden to our loved ones. Many boomers have helped care for their own parents and know firsthand how emotionally and financially draining long-term care (LTC) can be. The Centers for Medicare and Medicaid Services estimate that 70% of people who reach age 65 will require LTC services at some point in their lives.¹

That's why you may want to consider LTC insurance as part of your retirement planning.



An estimated 70% of people who reach age 65 will require long-term care services at some point in their lives.¹

Source: Genworth 2016 Cost of Care Survey, conducted by CareScout®, April 2016

What does LTC insurance cover?

LTC insurance covers a broad spectrum of services. A comprehensive policy covers a range of services at home and community settings, assisted living facilities and nursing homes. This may include care advisory services, home care, adult day care, hospice care either at home or in a facility, and respite care services. Some plans have benefits for coverage of informal in-home care provided by family, friends or independent caregivers.

Keep in mind that LTC insurance isn't the same as medical insurance, which generally provides coverage for doctor visits and hospital stays. Medicaid, a joint federal-state government program for low-income individuals, will provide coverage for long-term care expenses if your income and assets are very low or after you have depleted most of your assets.

When should I buy LTC insurance?

When to buy LTC insurance is an individual decision. You may want to consider the following to help you decide:

- Generally, the younger you are when you buy, the lower the premium. A 40-year-old in good health may pay \$1,000 annually, while a 65-year-old could pay \$3,000 a year.
- In addition to your age, insurance companies consider your health status, medical history and where you live in determining your premium.
- The advantage of buying a policy at a younger age is that your premium stays the same even if your health declines. On the other hand, if you don't need LTC assistance until your 80s, you end up paying premiums for a long time.
- No matter when you buy LTC insurance, make sure you choose a company that is financially strong and has a long track record selling this type of insurance.

How much coverage do I need?

That depends on a number of factors, including:



Where you live when you begin receiving care.

LTC costs vary widely from state to state.



Your ability to pay for services not covered by your policy.

A general rule of thumb is to anticipate the policy covering 80% of expenses, with the other 20% coming out of your pocket.



The limits of a policy.

Policies may offer a variety of options as to the total amount of coverage available to pay for benefits over the course of your lifetime. The total amount of coverage may be expressed as a dollar amount, such as \$100,000 or \$300,000, or it may be a period of time, such as three or five years.

What other factors should I consider before purchasing an LTC insurance policy?

You may want to consider certain policy features, including:

- **Inflation protection**, which raises your monthly premium but also increases your benefits to compensate for a modest level of inflation.
- **A nonforfeiture rider**, which ensures that you receive some reduced level of benefits even if you stop paying premiums. Without this rider, you could lose all the money you paid into the plan if you stop paying your premiums.
- **A "shared care" option**, which allows couples to link their policies so that they can share benefits in the event that one partner's benefits are exhausted.

Next steps

Is LTC insurance the right move? Find out what may be best for your situation by:

- Using the online tools available on aarp.org to determine what your costs may be.
- Working with your financial professional to determine when and how much to budget for LTC.

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1 LongTermcare.gov. US Department of Health and Human Services, 2016

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