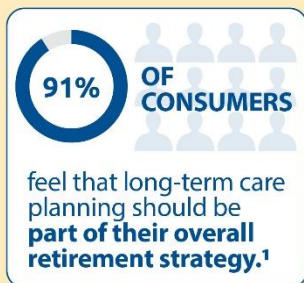


# Planning is About Living

The Coronavirus pandemic has taught us many lessons and in some ways made us appreciate life and how quickly it can change. One lesson that has surfaced is about the need to plan for protection later in life, specifically with long-term health care and life insurance. The odds of requiring some sort of long-term care increases as you get older...and so do the costs. Most people associate long-term care with the elderly. However, it applies to the ongoing care of individuals of all ages who can no longer independently perform basic activities of daily living, due to an illness, injury, or cognitive disorder. Those activities include bathing, dressing, and eating. This care can be provided in a number of settings, including private homes, assisted-living facilities, adult day-care centers, hospices, and nursing homes. Post COVID-19 many are trying to avoid nursing homes given the high rate of mortality during the pandemic. Not having a cohesive plan leaves family members with the task of coordinating the care, which can be challenging. Plus, elder care can be costly. One solution to cover these costs is long-term care insurance (LTCI).

It can be rewarding in many ways to help and care for a loved one, but it can also be demanding physically, mentally, and financially. In a survey of care providers done by Versta research, 63% of those who provided care, had no idea how demanding it would be. The financial burden is also real - the number of American's providing **unpaid** care has increased over the last five years from 43.5 million in 2015 to 53 million in 2020.<sup>2</sup> Many of us have worked hard towards our retirement, but a health care crisis such as the COVID-19 pandemic shows how its related costs can impact a retirement plan if you are not prepared.<sup>1</sup> More than half (56%) of middle-income boomers say their primary retirement concern is staying healthy enough to enjoy their retirement.<sup>3</sup> In Massachusetts, the average cost of a private room in a nursing home is over \$158,000 per year, and the average monthly cost for a Home Health Aide is



<sup>1</sup> Source: Versta Research, "2017 LTC Marketing and Thought Leadership Research, Findings from Surveys of Advisors and Consumers," October 2017. <http://newsroom.lfg.com/sites/>

<sup>2</sup> AARP Family Caregiving™. The remainder of this data is based on the 19% or 48 million caregivers caring for an adult

<sup>3</sup> 2019 study from Bankers Life Center for a Secure Retirement

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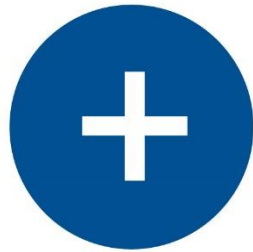
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\$5,243 if care is needed just eight hours per day. In the absence of a strategy and the ability to fund a plan to cover this risk, your retirement dollars may be significantly impacted.

## How to Prepare

In some ways, comparing long-term care insurance policies from different insurance companies is like comparing apples with oranges. Many factors are involved in selecting a suitable LTCI policy. The best policy for you depends on your family arrangement, your financial situation, your preferences regarding long-term care choices, and the level of risk you are willing to accept. There is no one best company or one best policy for everyone. We recommend meeting with a licensed insurance specialist to help you select a policy that meets your needs.

### [Learn More about Comparing Long-Term Care Insurance Policies](#)



#### **Medicare and Medicaid won't cover it.**

If qualified, Medicare may only pay for a portion of skilled nursing costs up to 100 days.<sup>5</sup> And Medicaid is only available to those with limited assets and income.

How people pay for long-term care also depends on their financial situation and the kinds of services they use. Although Medicare does not cover most long-term care needs, in a recent study more than half (56%) of the middle-income boomers mistakenly expect to use Medicare to pay for care if they need it.<sup>4</sup> Individuals who need long-term care often rely on a combination of ways to fund it. Because health insurance, Medicare or a Medicare Supplement will not cover a long-term care event, the focus should be on protecting your

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<sup>4</sup> Investment News

<sup>5</sup> Source: Department of Health & Human Services, "Long-Term Services and Supports for Older Americans: Risks and Financing," ASPE Issue Brief, <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>, February 2016.

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retirement income. Options can include your personal savings; a traditional long-term care insurance policy; a hybrid life insurance with a long-term care rider policy; a linked benefit policy; or an annuity with long-term care rider.

- 1. Self-Funding / Personal Savings:** This approach is often best for clients with significant assets. It's important to keep in mind however, there could be heavy taxation on withdrawals of retirement plan funds. You can incur capital gains taxes when liquidating taxable assets as well. There is also potential risk of having to sell assets in a down market.
- 2. Traditional Long-Term Care Insurance Policy:** This is the most comprehensive option that offers partnership asset protection and shared plans for couples. It has more affordable premiums, but includes a "use it or lose it" component (no return of premium or death benefit option). Benefits are tax free and inflation options are available.
- 3. Hybrid Life Insurance with a Long-Term Care Rider Policy:** This option provides life insurance with the ability to accelerate the death benefit tax free to pay long-term care expenses. The flexible pay periods include single premium options. It typically provides the largest maximum benefit payout. Benefits are tax free, but this option does not include inflation options.
- 4. Linked Benefit Policy:** This approach provides long-term care benefits with a full return of premium option (liquidity/cash equivalent). The policy has multiple payment options, the Single Premium Deposit is the most popular – "One and Done". There is a death benefit that is equal to the premium paid less benefits paid in long-term care benefits. Benefits are tax free and inflation options are available.
- 5. Annuity with Long Term Care Rider:** This is the most popular as a replacement of an existing annuity. There a single premium option only - "One and Done". The long-term care benefits pool is two or three times the single premium deposit. Included is a full return of premium option (liquidity/cash equivalent). Benefits are tax free and inflation options are available.

Long-term care insurance goes a long way in protecting your savings, given that long-term care costs, when paid out of pocket, can deplete one's savings or retirement nest egg quickly. Consider purchasing a LTCI policy if some or all of the following apply:

- › You are between the ages of 40 and 75
- › You have significant assets that you would like to protect

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- › You can afford to pay the premiums now and in the future
- › You are in good health and are insurable

### [Determining the Need for Long-Term Care Insurance: How Much is Enough?](#)

No one knows if they will have a long-term care event, but it is important to consider how to pay for the cost of that care in your financial plan. Doing so will allow your spouse/partner and/or children to continue to be an advocate for your care and ensure your desires are met.

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