WELLS FARGO Advisors

Protect assets with long-term care insurance

Protecting assets should be a major consideration in any investment plan. With people living longer, keeping assets protected and available throughout a lifetime is just as important as accumulation. Unfortunately, when combined with increasing health care costs, long-term care expenses can quickly exhaust hard-earned assets. Consider how insurance can help protect your assets if you ever need long-term care.

The need for long-term care

Long-term care offers a variety of services to people who need assistance with daily living, including those with chronic illnesses and disabilities. Long-term care services can be provided at home, in the community, in assisted-living facilities, or in nursing homes. Consider the following about long-term health care needs:

- It's estimated that about half (56%) of people turning 65 today will need some type of long-term care services or support in their remaining years.[1]
- These costs can exceed $108,405 annually for a private room in a nursing home facility.[2]

Additionally, Medicare generally doesn't pay for long-term care or for the cost of custodial care.[3] It only pays for medically necessary care in a skilled nursing facility or for a part time or intermittent home health care aide providing skilled medical services.[4]

1. Source: ASPE Research Brief, Long-Term Services and Supports for Older Americans: Risks and Financing, 2022.
2. Source: Genworth Cost of Care Survey 2021, conducted by CareScout®, November 2021, National Median Cost for Private Room, Nursing Home Care, (accessed March 2024).
3. Source: U.S. Centers for Medicare and Medicaid Services, Medicare.gov, Long-term care (accessed March 2024).
4. Source: U.S. Centers for Medicare and Medicaid Services, Medicare.gov, Home health services (accessed March 2024).

Paying for care

If you plan to use retirement assets and income to pay for long-term care, be sure to consider:

- Cost of care. What type of care will you need, and how much will it cost?
- Life span. How long will you need care?
- Inflation. How will inflation affect the future cost of care?
- Market volatility. What if you need to begin paying for care at a time when the markets are down?
- Accuracy of calculations. Are you confident in the amount you've set aside for care? If your costs end up being more than you've calculated, do you have back-up resources you can use?

In short, it's difficult to predict the total amount you will need for care. But long-term care insurance can offer predictability. It helps ensure that you can access funds for long-term care, whenever the need arises.

Long-term care insurance benefits

Consider the following advantages of an insurance policy:

- **Leverage.** The capital required to purchase insurance protection is typically less than that needed to pay for expenses out of pocket due to the leverage insurance provides. As a result, you may have additional capital available for other uses.
- **Investment freedom.** You won't need to set aside assets — taking them out of the investment portfolio — to pay healthcare expenses since an insurance policy is designed to provide payment for healthcare expenses, effectively shifting the responsibility to the insurance company.
- **Tax benefit.** Qualified long-term care insurance policies pay an income-tax-free benefit.

Asset-based long-term care

Stand-alone long-term care insurance is typically the least expensive way to insure a long-term care risk. However, if long-term care is never needed and no benefits are received, the premiums paid are lost. To avoid this "use it or lose it" aspect of stand-alone long-term care insurance, asset-based long-term care combines long-term care protection with a life insurance death benefit. These policies primarily focus on providing long-term care benefits. The death benefit which is typically a little more than the premiums paid is secondary. The long-term care benefit value can be up to three times the amount of the death benefit. Inflation riders can be added to continue to grow the long-term care benefit. This provides an even greater degree of protection from the high cost of long-term care. As long-term care benefits are used, they reduce the death benefit dollar for dollar.

Return-of-premium or cash value

In addition to combining long-term care benefits and death benefits, some asset-based products offer a return-of-premium feature, which helps ensure that if the policy is surrendered prior to claim, premiums will be returned to the policyowner.

Determine a plan that's right for you

When it comes to your retirement, it's important to plan for the care and assistance you may require in your later years. Long-term care insurance can offer the assurance that you will have access to the care you need, without jeopardizing your retirement savings.

Work with your financial advisor to determine a plan to meet your needs.