



## 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.<sup>1</sup>

- These costs can exceed \$108,405 annually for a private room in a nursing home facility.<sup>2</sup>

Additionally, Medicare generally doesn't pay for long-term care or for the cost of custodial care.<sup>3</sup> 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.<sup>4</sup>

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).

#### Investment and Insurance Products are:

- Not Insured by the FDIC or Any Federal Government Agency
- Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate
- Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested

## 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.

*Guarantees are based on the claims-paying ability of the issuing insurance company.*

*Variable Life Insurance (VLI) is an insurance product and should not be considered an investment, savings, or retirement plan. Nevertheless, VLI cash values and death benefits may fluctuate, so the purchaser should be able to assume investment risks.*

*Insurance products are offered through nonbank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies.*

*Wells Fargo Advisors is not a legal or tax advisor. Be sure to consult your own tax advisor and investment professional before taking any action that may involve tax consequences.*

*Death benefits generally are not subject to income taxes but may be subject to income taxes in certain cases. Policy owners should consult with legal counsel prior to assigning the ownership rights in life insurance policies. Insurance policy values or death benefits are includable in the gross estate of the decedent if the decedent owned or was deemed to have owned certain "incidents of ownership" in the policy. Death benefit protection is based on the claims-paying ability of the issuing life insurance company.*

*Distributions from life insurance policies prior to the death of the insured may be subject to income taxation depending on the type of distribution, the life insurance policy duration at the time of distribution and effective tax law at that time. These distributions may also reduce policy cash values and death benefits. Life insurance policy loans are not taxable for a non-MEC policy provided that it remains in force until the death(s) of the insured(s).*

*Withdrawals, policy loans and other distributions from a MEC policy are subject to other rules and are generally taxable as "income first." If prior to the death(s) of the insured(s) the policy (MEC or non-MEC) is surrendered or lapses with an outstanding policy loan balance, the policy owner will be subject to income taxes to the extent the cash surrender value plus the amount of the outstanding loans exceeds the policy cost basis. Withdrawals, policy loans, and other distributions will reduce policy values and may reduce death benefit.*

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## 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.