



HOW WILL YOU PAY FOR LONG-TERM CARE SERVICES?

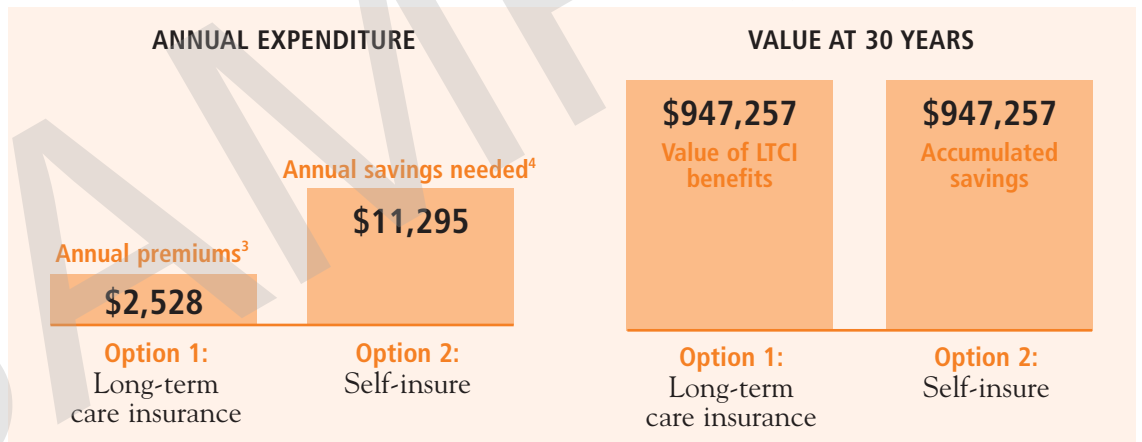
Many people mistakenly think their health insurance or Medicare will pay for any long-term care services they may need. But health insurance really only pays for doctor and hospital bills. If you develop a chronic illness or become disabled and are unable to care for yourself for an extended period of time, you'll need long-term care services. But these services aren't cheap. Full-time nursing home care averages \$69,000 to \$78,000 per year and 8 hours per day of home health care can cost \$43,000 to \$70,000 annually.¹

Typically, there are three ways to pay for long-term care services:

- *Medicaid*: for those with limited assets²
- *Private pay*: for those wanting to use their savings and assets
- *Long-term care insurance*: for those wanting to transfer risk to an insurance company

Medicaid is not an option that most people want to rely on because it requires you to spend down most of your hard-earned assets in order to qualify. The scenario below will help you understand the financial implications of your other two options – insuring versus self insuring.

Scenario: 55-year-old male seeks a financial program capable of funding a three-year nursing home stay by age 85.



VALUE ADDED TO ESTATE IF ANNUAL SAVINGS WERE INVESTED

\$11,295 - \$2,528 = \$8,767 in annual savings
\$8,767 invested for 30 years, earning 6% per year = \$734,698

¹ Source: The MetLife Market Survey of Nursing Home and Home Care Costs, 2007

² Many states have adopted Long-Term Care Insurance Partnership programs, which allow for individuals with long-term care insurance to protect some of their assets.

³ Premium based on long-term care insurance policy with the following features: three-year benefit period, \$6,000 monthly benefit, 5% compound inflation protection and 100-day elimination period. Note that while premiums are designed to remain stable over the life of a policy, an insurance company may seek permission from an Insurance Department to increase premiums for an entire class of policies.

⁴ Assumes 6% net investment yield, meaning that this is the return a person will realize after fees, expenses, inflation and taxes have been accounted for.