

WEALTH MANAGEMENT

Morgan Stanley

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# Planning for Long-Term Care

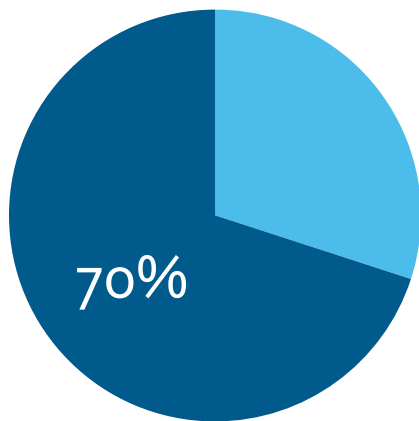


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# Nobody Likes to Talk About Long-Term Care

Which is exactly why you should talk about long-term care.

Percentage of people over 65 who will require some care at some point in their lives.<sup>1</sup>



**\$1,175,912**

Projected national average cost for 5 years of long-term care, 30 years from now.<sup>2</sup>

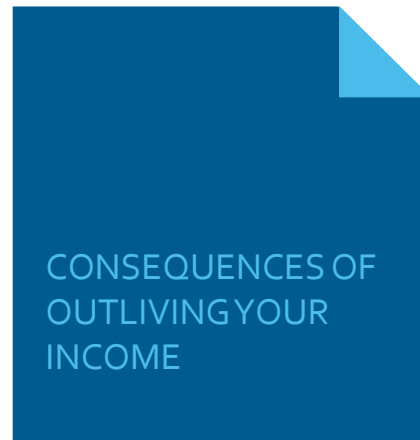
1. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, [www.longtermcare.gov](http://www.longtermcare.gov), June 2015.

2. <https://www.genworth.com/corporate/about-genworth/industry-expertise/cost-of-care.html>. Based on five years of private room nursing home care during the years 2045 to 2049, and assumes a hypothetical 3% annual inflation rate.

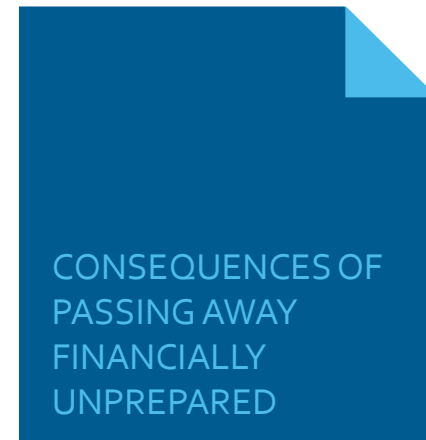
## Risks to Your Financial Future



CONSEQUENCES OF  
AN UNEXPECTED  
HEALTH EVENT



CONSEQUENCES OF  
OUTLIVING YOUR  
INCOME



CONSEQUENCES OF  
PASSING AWAY  
FINANCIALLY  
UNPREPARED

## What Is Long-Term Care (LTC)?

- Personal care or supervision needed by persons of all ages for an extended period of time
- Associated with the effects of aging, but may be needed at any time, due to an accident or illness
- Some conditions that may require long-term care:
  - Head injury
  - Stroke
  - Cancer
  - Parkinson’s disease
  - Heart disease
  - Multiple sclerosis
  - Alzheimer’s disease / Dementia

## The Case for Long-Term Care Planning

20% of people 65+  
will need LTC for  
more than 5 years<sup>1</sup>



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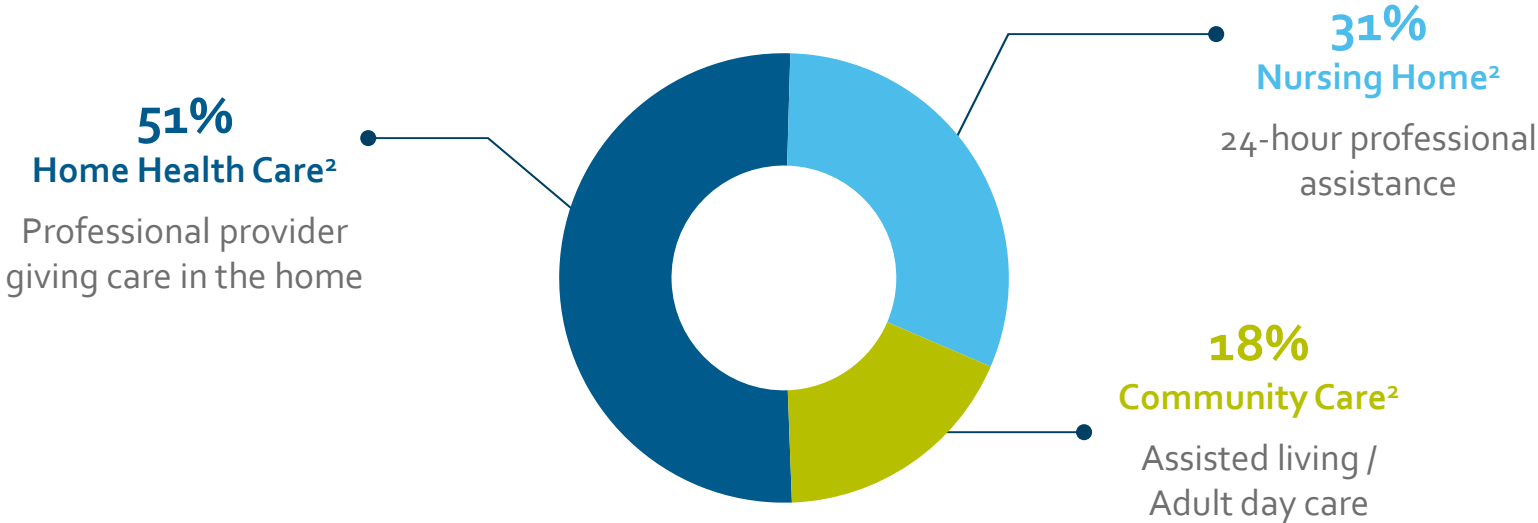
1. <http://longtermcare.gov/the-basics/how-much-care-will-you-need/> (2015)

# The Case for Long-Term Care Planning

MOST OF US WILL NEED CARE AS WE AGE.<sup>1</sup>



When given the choice, many people remain in their own homes while receiving care.<sup>2</sup>



1. US Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, [www.longtermcare.gov](http://www.longtermcare.gov), June 2015.  
2. The 2014 Sourcebook for Long-Term Care information, American Association for Long-Term Care Insurance.

# The Case for Long-Term Care Planning

## UNPAID CAREGIVING IN AMERICA

### Caregiver

**65**

Million US adults serve as unpaid family caregivers

Average age of caregiver is **50**

Hispanic caregivers have an average age of **43**

Caregivers are typically adult women (**age 49**) who are helping one person

**51%** Live less than 20 minutes away from the recipient

### Recipient

**77**

Average age of recipient

### Where Do They Live?

**82%** In their own home

**9%** Friend or family member's home

**5%** Assisted living or retirement community

**4%** Nursing home

## WORK BALANCE

**73%** percent of caregivers are employed while caregiving

**66%** of working caregivers arrive late, leave early, or take time off from work to care for their loved one

## COST TO CAREGIVERS

**\$375 Billion**

The value of the services family caregivers provide free of charge when caring for older adults, is estimated to be **\$375 billion** per year. That is almost **twice as much** as is actually spent on homecare and nursing home services combined (\$158 billion).

Source: Long-Term Care in America: Expectations and Reality (highlights from The Associated Press-NORC Center for Public Affairs Research, 2014)

# The Costs of Long-Term Care



Source: Genworth 2015 Cost of Care Survey. Based on national median costs for a private room nursing home.



## The Costs of Long-Term Care

Long-term care costs have soared in recent years and are expected to rise even higher. According to the Genworth 2015 Cost of Care Survey, here's what you can expect to pay for private room nursing home care, assuming a 3% annual increase in costs. *(Keep in mind that these costs are for one individual only. For a couple, costs could be double):*

### Today

One year: \$91,250  
 Three years of care: \$282,046  
 Five years of care: \$484,461

### In 15 Years

One year: \$142,165  
 Three years of care: \$439,418  
 Five years of care: \$754,774

### In 30 Years

One year: \$221,488  
 Three years of care: \$684,598  
 Five years of care: \$1,175,912

# Paying for Long-Term Care

## WHO PAYS FOR LONG-TERM CARE? WILL MY MEDICAL INSURANCE COVER IT?

As we've seen, long-term care costs can quickly add up, and a common misconception is that Medicare or Medicaid will pay for all expenses. The truth is that you'll need to be able to cover much of the cost yourself in the form of either cash or private insurance.

	MEDICARE	PRIVATE MEDIGAP INSURANCE	MEDICAID	YOU PAY ON YOUR OWN
Nursing Home Care	Days 0 – 20 – Pays in full if you're hospitalized for at least three consecutive days before entering a Medicare-approved skilled nursing facility. Days 21 – 100 – May pay for the difference between the total daily cost and a significant copayment if you continue to need skilled nursing care. Days 100+ – Does not pay	Days 21 – 80 – May cover a significant copayment if your nursing home stay meets all other Medicare requirements.	A single individual will not qualify for Medicaid in most states unless he or she has less than \$2,000 in countable assets.	If you need only personal or supervisory care in a nursing home and/or have not had a prior hospital stay, or if you choose a nursing home that does not participate in Medicaid or is not Medicare certified. Also, if you need care beyond the 100 days Medicare is willing to pay.
Assisted Living Facility (and similar facility options)	Does not pay	Does not pay	In some states, may pay care-related costs, but not room and board.	You pay on your own except as noted under Medicaid, if eligible.
Continuing Care Retirement Community	Does not pay	Does not pay	Does not pay	You pay on your own.
Adult Day Services	Not covered	Not Covered	Varies by state, financial and functional eligibility required.	You pay on your own except as noted under Medicaid, if eligible.
Home Health Care	Limited to reasonable, necessary part-time or intermittent skilled nursing care and home health aide services, and some therapies that are ordered by your doctor and provided by Medicare-certified home health agency. Does not pay for ongoing personal care or custodial care needs (help with activities of daily living).	Not Covered	Pays for, but states have option to limit some services, such as therapy.	You pay on your own for personal or custodial care, except as noted under Medicaid, if eligible.

Source: LongTermCare.gov (Medicare and Medicaid) 2014/2015

## Important Long-Term Care Questions

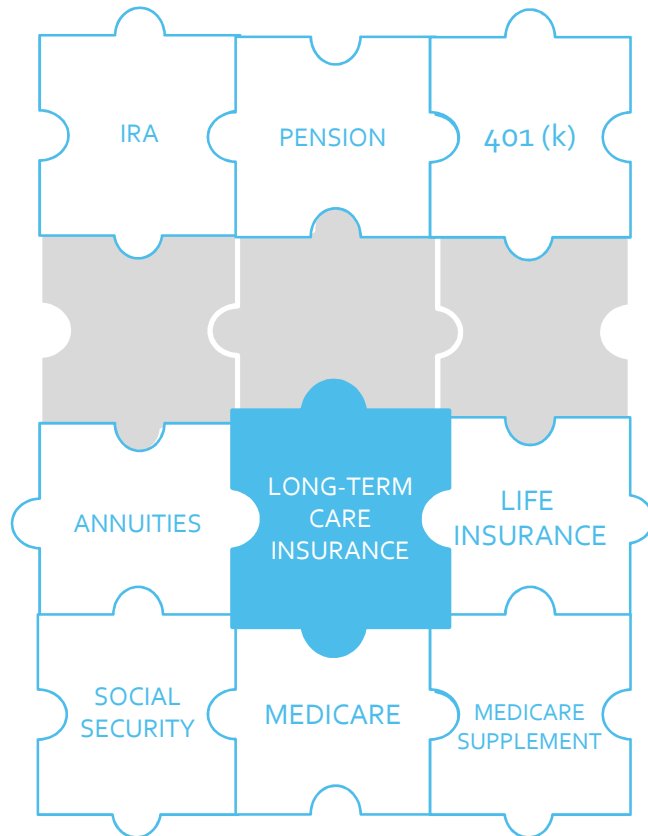
- Where are long-term care services provided?
- What effect could long-term care have on my family and retirement strategy?
- What could it cost?
- What are my options if I need to pay for long-term care?

Living a Long Life Is a Near  
Certainty These Days.  
Planning for It Is a Necessity

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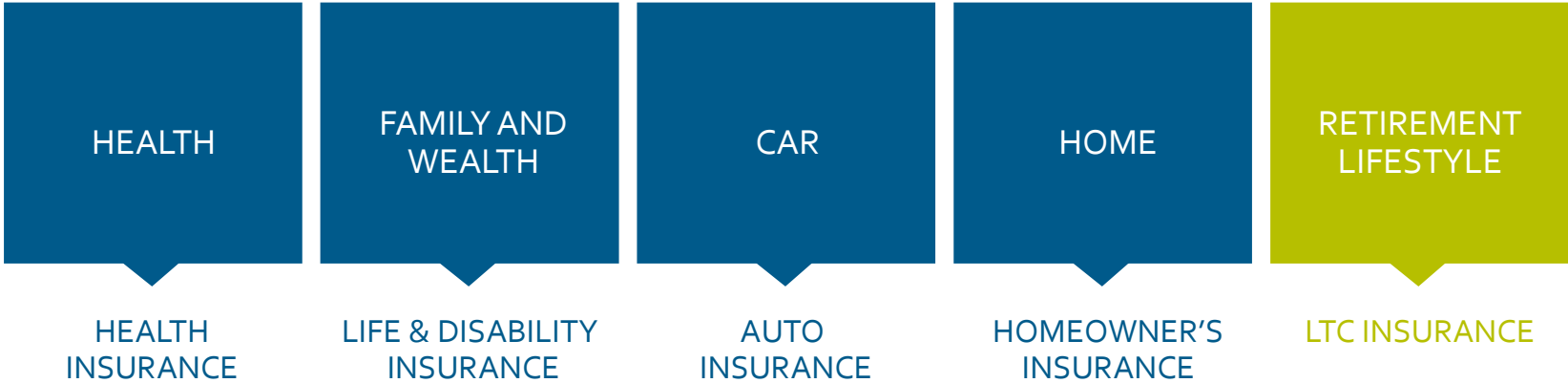
# Retirement Planning & Long-Term Care

A PIECE OF THE RETIREMENT & ESTATE PLANNING PUZZLE



- Estate planning tool
- 401(k) or IRA protection
- Lifestyle protection
- Executive benefit

# Risk Management Strategies



WHY NOT HELP PROTECT THE RETIREMENT LIFESTYLE THAT YOU HAVE WORKED YOUR ENTIRE LIFE TO CREATE?

## LTC Planning: A Three Step Process

### STEP 1

#### UNDERSTAND THE NEED OR RISK

Personal experiences  
Consequences of  
living a long life

### STEP 2

#### DEVELOP A STRATEGY TO OFFSET THE RISK

LTC is a family issue  
There is risk to the family  
if there is no strategy  
Develop a strategy

### STEP 3

#### IMPLEMENT THE STRATEGY

LTC Insurance planning  
Self-funding  
Health care plan  
Caregiving plan

## How Does Long-Term Care Insurance Work?

It provides a “Pool of Benefit Dollars” for Long-Term Care when and where needed

### BENEFIT DOLLARS





## Important Disclosures

Morgan Stanley Smith Barney LLC offers insurance products in conjunction with its licensed insurance agency affiliates.

Since life and long-term care insurance are medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy may require a medical exam. Actual premiums may vary from any initial quotation. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy.

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