

A Fresh Look on Finances

with Aubrey Morrow CFP®



How to WRECK Your Retirement

by Overlooking the Possibility of Need for Long-Term Health Care

LONG-TERM CARE is the #1 Financial Risk faced by retirees.

According to the Department of Health and Human Services, at least 70 percent of people over 65 will eventually need long-term care, either at home or in a nursing home, and that can be very expensive. The average stay for a woman entering a nursing home is almost four years; if she's in a semiprivate room, that cost in San Diego is about \$375,000. For married couples, the chances that one spouse will need long-term care rises to 91 percent.

When it comes to financial planning, determining how to pay for long-term care is often the last item families address, even though it may be one of the most important. Failure to plan for long-term care needs can be financially devastating. We are well aware that health care costs are a big concern for people going into retirement, but the costs of long-term care can still be an unexpected financial shock.

Below are Annual Care Costs in San Diego for 2015:

Home Health Care	Annual Costs	Monthly Costs	5-year Growth in costs
Homemaker services	\$51,366	\$4,200	2%
Home Health Aide	\$51,480	\$4,290	2%
Adult Day Health Care	\$20,519	\$1,709	0%
Assisted Living Facility	\$42,000	\$3,500	1%
Nursing Home			
Semi-Private Room	\$93,805	\$7,817	5%
Private Room	\$127,750	\$10,645	7%

Options to Pay for Long-Term Health Care Costs

- Deplete Your Savings — How long can your funds last considering costs above?
- Use Your Retirement Income Sources — What about your spouse's ongoing financial needs?
- Sell Assets — Deplete your investments and retirement nest egg.
- Borrow — If possible.
- Ask Children to Provide Financial Help.
- Reverse Mortgage — Getting more difficult to qualify.
- Sell Your Home — Terrible decision to make.
- Cash Value of Life Insurance — Depletes the death benefit.
- Purchase Long-Term Health Care Insurance individual policies — problem of increasing rates.
- Purchase Certificate of Deposit-Type Policy — which provides substantial LTC benefits, life insurance to heirs if LTC is not needed, and return of original deposit if requested.
- Count on Medicare — Medicare only covers up to 100 days of rehabilitation following hospitalization. Then, nothing.

A word to the wise is to factor the contingency of needing some form of LTC in your personal financial planning. Too many retirees and even financial planners do not give enough attention to the possibility. Americans are living longer — and many spend as many years in retirement as in their working years. But what would happen if you, your spouse or a family member needed long-term health care? Preparing for the potential need for LTC makes sense, especially if you can help protect your existing assets at the same time.

Aubrey Morrow, President of Financial Designs, Ltd. is a Certified Financial Planner, Registered Investment Advisor Representative with over 30 years of experience. He is the co-author of six books on personal financial planning and is the host of "The Financial Advisors" radio series at 8 a.m. every Saturday on AM 600 KOGO. His firm provides comprehensive fee-based personal financial planning. He can be reached at 858-597-1980. Visit www.MoneyTalkRadio.com.