Funding Long-term Health Care

By

Susan Carr-Templeton

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How should you plan for retirement health care costs?

In my last blog post, I encouraged you to set aside funds for health care in retirement. One estimate states that nearly three-quarters of retired individuals will need long-term care at some point. Fidelity Investments conservatively estimated a couple will need $240,000, up from $160,000 just 10 years ago. Continuing on this topic, here are some factors to consider regarding how to fund your post-work-life health care expenses.

Have you thought about how you wish to receive extended health care in retirement? A majority of consumers prefer to have caregivers come into their homes, according to a survey by Genworth Financial. But home health care can be expensive, with estimates for one year of care ranging from nearly $42,000 to almost $84,000. In Illinois, for example, a home health aide can cost $15 to $30 a day; adult day care ranges $44 to $114 a day; and nursing homes run $115 to $362 per day. Those who spend time in nursing homes also face high expenditures, as much as $83,300 annually. (To see how much your state charges, review this Genworth report on Cost of Care.)

And costs increase every year. How will you pay for it?

To date, retirees have relied on several payment methods: a long-term care policy, Medicare, Medicaid or paying out of pocket, also known as self-insurance.

Long-term care policy – an insurance policy whose benefits you become eligible for after making premium payments; benefits vary by policy

Medicare – a federal government program that insures individuals age 65 and older; pays for 100 percent of care for up to 20 days, then recipient must pay copay for days 21-100

Medicaid – a federal government program that insures individuals under a certain income level

Self-insurance – relying on a savings account for health insurance costs

Before choosing the approach to use, you should run the numbers to determine which makes sense for you. One option is Genworth Financial's calculator, which estimates expected health care expenses. Compare the estimated costs against your retirement savings. Will you have enough?

Consider your present income and the income you expect to have during retirement. Also look at your present health, your family's longevity and your risk tolerance. Those with lower risk tolerance will likely want to prepare as much as possible by saving money regularly for expected health care costs and buying a long-term care policy.

Disclaimer: The views expressed in this article are the opinions of the author and should not be interpreted as individualized investment advice. Investment objectives, risk tolerances and the financial situation of individual investors may vary. Please consult your financial and tax advisers before investing.

Tags: making the most of your money, money, retirement

About Susan Carr-Templeton

Susan Templeton is the founder of Stafford Wells Advisors, a wealth management firm serving individuals, families and businesses and advising workplace retirement plans. Stafford Wells was founded in 2008 with the mission of delivering independent, complete, unbiased investment and planning advice, free of any conflicts of interest. Susan Templeton has more than 20 years experience in investment management. She received her B.S.B.A. degree in marketing from the University of Denver and her M.B.A. from the University of Chicago. Susan is a trustee for the Advocate Foundation where she chair's the Planned Giving Committee and is a member of the Investment Committee. Susan serves on the investment committee for the Visiting Nurse Association (Chicago) and is a former trustee of the Village of Oak Brook Police Pension Plan.

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