the importance of long-term care insurance
Many people are uneducated about what long-term care insurance actually is. Or worse, they know what it is but don’t want to think about themselves in a position where they would need long-term care. As life expectancies increase, the likelihood of needing some sort of long-term care grows. The reality is that if you need care, you will get it. The real question becomes who will pay for it? The choices are long-term care insurance, using your savings and retirement funds, using your spouse’s retirement funds or family paying for your care.
First, let’s define some terms. Long-term care insurance is often thought of as “nursing home insurance,” but it’s more than that. Starting with definitions of common, yet misunderstood, terms will help clarify the true purpose of this type of insurance.

**ACTIVITIES OF DAILY LIVING (ADLs)**
ADLs include, but are not limited to, the ability to bathe, feed, groom, use the restroom, dress and transport yourself. Your inability to do one or more of these tasks determines your need for care, thus performing these ADLs is the standard litmus test for required care.

**ELIMINATION PERIOD**
The elimination period is the period of time from when you are in care to when your insurance coverage “kicks in.” If you are hospitalized, your stay won’t be covered until you’ve been in care up to the day your elimination period ends. The shorter the elimination period, the more expensive the policy usually is.

**IN-HOME CARE**
While family members often provide the majority of in-home care, professional in-home care is also available. These services can be contracted on a part-time or full-time basis. Depending on your long-term care policy, your provider may pay for skilled in-home care.

**ASSISTED LIVING**
Assisted living is care that combines healthcare with housing as well as other support services. Though assisted living communities do not provide complex medical services, this is where those who need help with everyday activities may be best cared for.
What happens when you don’t have long-term care insurance?

Long-term care is terribly expensive. Even if you have a healthy retirement fund, it’s unlikely it will survive the $60,000* a year in assisted living costs. Running out of money becomes a real possibility. One of your first priorities in retirement is to protect your assets; they are what you live on after all. No long-term care insurance means your assets aren’t protected in the event you need extended care.

More likely than not, if your funds can’t support your care, family will step in to help pay for the cost of your care. While this is a noble thing to do, it can devastate the financial lives of the ones you love. Long-term care insurance is a way to help protect them as well.

*“The Pete the Planner Radio Show.” Personal interview with Andy Cohen, CEO of Caring.com, September 28, 2014.
Long-term care insurance is a necessary policy that protects you beyond what health insurance or Medicaid will cover. After the elimination period, the long-term care insurance will kick in, and the cost of care will be mitigated.

Like most health-related insurance, long-term care insurance is least expensive when you are young and healthy. It’s prudent to begin your long-term care insurance search when you hit your early fifties. This is generally the perfect time to purchase long-term care insurance because you are not only young and healthy, but you are also in your prime earning years. This means you may be able to easily shift your budget to accommodate the premiums.

Waiting until you are in your sixties means coverage will be more expensive, yet it will still be as important to purchase the policy.
It’s time to take action

Increased longevity has brought us many positive considerations. Unfortunately, extended long-term care stays, which are a side effect of increased longevity, are now more common than ever. Long-term care insurance is a relatively new tool that helps families address the financial effects of eldercare needs. Explore long-term care insurance for your own good, as well as that of your significant other and your family. Proper planning can help you avoid problems.