

SRES[®] MARKETPLACE

CONSUMER NEWSLETTER

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Long-term Care: The Retirement Wildcard

The end of the year is always a good time to take stock of your finances and make sure your savings and investments align with your long- and short-term goals.

Even when you've been a diligent saver and invested wisely, the wildcard for nearly everyone is how to finance long-term care. It's impossible to know whether you'll need minimal care and be able to age at home or if you'll need hands-on care in a nursing home.

Given the conditions in many nursing homes during the COVID-19 pandemic, many people have lost their appetite for long-term care in institutional settings.

If you're over age 50, it's worth considering what you may need for living expenses, exploring the funding options, and factoring them into your 2022 financial plan and beyond.

After all, it's always a nagging worry that no matter how well you save, long-term care could wipe out your resources. And quickly.

The Center for Retirement Research at Boston College has been looking at aging care in a three-part series of briefs on the topic.

In the first two, CRR explored (<https://bit.ly/31y3zqL>) how likely it would be that retirees would need support and the intensity and duration of that support and the second (<https://bit.ly/3GOVnCD>) looked at what's available in terms of caregivers and financial resources.

The briefs may bring both comfort and alarm.

For instance, though many retirees fear spending their 401 (k) money and often deprive themselves of necessities because they think they'll have to raid the fund to pay for care down the road, CCR found that only one-quarter of 65-year-olds will have severe needs – think dementia care in an institutional setting, for example – for long-term care across their retirement.

One-fifth will need no support. Another 22 percent will have low needs and 38 percent will have moderate needs.

CCR also found that needs vary based on sociodemographic differences, with married people faring well, thanks to the fact that they tend to be wealthier and have the support of a spouse.

The second brief examines the resources retirees have available to them for long-term support. Typically people get support through family, the bulk (60%) of which comes from children, spouses, and other relatives providing unpaid care. Others rely on formal care that's paid out of pocket or through long-term care insurance or Medicaid.

There are downsides and trade-offs with every option. Medicaid, for instance, requires middle-income people to spend down their assets to qualify. Wealthier seniors worry about care because they want to leave money to heirs. And relying on family help often becomes burdensome to the caregivers.

CCR notes that just 11% of adults over age 65 have long-term care insurance.

In addition, with the median hourly rate for a home health aide running \$22 (a figure from 2018), CCRE estimates the number of care hours people in various economic circumstances can afford to pay out of pocket.

It estimates that those with low incomes would be able to cover just 82 hours per year, middle-income people could afford 300 hours, and those with high incomes could cover about 1,000.

Those who enter retirement married are in the best position to manage their care needs, while unmarried women fare the worst and only can afford minimal care.

Whether you're comforted or alarmed by CCR's conclusions, everyone can benefit from exploring how to pay for long-term care and incorporating it into 2022's retirement goals.

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For more about the challenges of caregiving, see the SRES blog.

Medicare Open Enrollment

Medicare Open Enrollment runs through Dec. 7.

Navigating the options and picking the right Medicare Advantage plans and Part D drug plans can be complex and confusing.

Picking Medicare plans has never been a one-and-done affair, and you have to review the options each year.

Yet, in 2019, 71% of all Medicare beneficiaries reported that they did not compare their plan to other Medicare plans that were available during the 2018 open enrollment period, found KFF, the Kaiser Family Foundation (<https://bit.ly/3bH2yyf>).

In addition, 81% of beneficiaries in Medicare Advantage drug plans (MA-PDs) said they did not compare the drug coverage offered by their current MA-PD plan to any other MA-PD in their area during 2019.

It's important to review your choices each year to learn about the changes in plans and drug coverage options and pick that one that lowers your out-of-pocket costs and best addresses your needs.

Resources:

- AARP (<https://bit.ly/3nXlgHB>) – Find Q&As on how Medicare works, its parts, and the costs for each.
- Medicare (<https://bit.ly/3GNMtFo>) – Visit Medicare's site or call its helpline, 800/633-4227, to review your coverage and see new options.
- State Health Insurance Assistance Program (SHIPS) (<https://bit.ly/3GR4WRC>) – Find free, personalized help reviewing your Medicare options and picking the best plan.

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