Ep. 168: Long Term Care

Patti Brennan: Hi, everybody. Welcome to "The Patti Brennan Show." Whether you have $20 or $20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

When we think about living your very best life, it's about peace of mind. Can I give you peace of mind? I don't know if anyone can give another human being peace of mind, but maybe more confidence as you go day by day.

One of the things out there that nobody knows is whether there's going to be a health issue where they're going to need a lot of care. The first question is what kind of care would you want? Would you want to stay in your own home? What would be the cost of that? Is your home ADA compliant? It's all about asking questions unique to your situation.

The other thing is looking at financial assets and what's most important to you. For example, it's a nice alternative to say, "You know what? I'll cross that bridge if and when I come to it." That's called self-insuring.

Rather than going out and buying a lot of expensive insurance coverage, let's pray to God that you're never going to need it, and you self-insure. Meaning, you set yourself up in such a way so that your assets can pay for care if you need it.

First, let's define what it is. Is it care in the home? Is it assisted living? Is it nursing home coverage? Most people don't like the idea of being in a nursing home. It's a practical fact of life, so let's just put it on the table, understand it, and then prepare for the possibility.

With that in mind, first looking at your current health, what is your family history? Do you have any possible health issues? If we're talking about insurance, what is the likelihood that you would even qualify, and what is the cost?

As with any risk, how much of this risk do you want to cover? Nobody knows whether you're going to even need it and if so for how long? Sure, we could look at averages, but who wants to think of averages? You're not average. You want to make sure that you're covered for most of the risk. How do you go about doing it?

It depends on what might run in your family and you should take the time to understand that. For example, with my husband's family, his dad had Alzheimer's. He's scared to death of that. People with Alzheimers tend to have the need for care a lot longer than someone who may have had a stroke or a cardiac issue. That's first and foremost.

Then you need to decide. Do you want to cover all of it? Can you self-insure for some of it? Are we dealing with a couple? I think I've told you the story before about my dad. He needed care and wanted to stay in his own home. Even I was shocked at how quickly they were going through their money.

My mom was perfectly healthy. She was 66 years old. When my dad died, that was a scary time for her because they had pretty much what they were going to have, and she lost his Social Security. What does that look like for the surviving healthy spouse when looking at this issue?

Again, insurance isn't for everybody. Let's define what the issue is and decide one way or the other. If the choice is to self-fund, which is a really good choice for a lot of people, then what we want to understand what the tax issues are.

For example, is all the money or most of the assets in a retirement account? Pulling out $100,000 out of a retirement account isn't going to give you the real $100,000 that you need. You need to pull out $130,000. Again, what's the impact, and what are the tax implications for self-funding?

When we think about the different insurance alternatives, most of us think about the pay-as-you-go type of insurance, but there are other hybrid policies out there that can be attractive. In other words, if you don't use it, it's not a complete waste of money.

For example, there's life insurance-linked contracts that pay if you need long-term care. If you don't, there's a life insurance death benefit associated with it. There are annuity products out there that can also provide some coverage.

Also, if you want to go the insurance route, let's talk about how you're going to pay for it. These policies can increase in cost significantly. Let's make sure that you are aware of that.

For those of you who have been putting money into an HSA, a lot of people don't realize that their HSA account can be used for your long-term care premiums, depending on your age. For example, if you are up to age 70, you could use up to $4,700 of your HSA to pay your long-term care premiums. As you get older, that rises to $5,800 under current law.

Let's optimize the tax law to fund something that is an exposure to your quality of life. Let's also optimize your resources and your tax situation to fund something that could enhance your quality of life, your financial security, and the financial security of your spouse.

Long-term care is a big subject, and it can be a heavy subject as well. Nobody wants to think about that. Let's have the conversation so that you've got plan A, but if you need plan B, we already know what that is. That's good planning and great wealth management.

I'm Patti Brennan. Thank you so much for listening to the show on this boring, negative subject! Hopefully, you learned something today. Go to our website, www.keyfinancialinc.com, there are tons of resources and information. Go to the Contact page and ask us a question. That's what we're here for. Thanks so much for listening today. I hope you have a great one. Take care.