



Alternatives for Paying Home Health Care and Other LTC Expenses

Long-term care (LTC) expenses incurred in your home or a facility over time can easily eat into a large portion – perhaps all – of your retirement funds. For perspective, the U.S. government believes \$250 a day for LTC expenses is a reasonable assumption (the 2006 daily amount for tax-deductible LTC expenses is \$250).

Certainly, LTC insurance is one funding option. It provides peace of mind and a level of confidence that all or most LTC expenses will be covered. On the other hand, it is expensive, and may not make sense for people who don't have net worth to protect, or who cannot afford to pay the premiums. Also, some individuals are not medically eligible for LTC insurance.

There are several alternatives to LTC insurance for funding LTC expenses:

- **“Longevity insurance”** -- essentially a deferred annuity with a life income payout option, provides a stream of income that starts later in life when you are more likely to need to pay for LTC and ongoing living expenses. However, if you begin payments when you are 85, but need to pay LTC expenses at 80, you could be in some difficulty (options may be available to help).
- **Life insurance cash values.** Some policies have LTC riders. You can also borrow from your cash value, however, be careful not to borrow too much or you may inadvertently terminate your policy. (Also, outstanding loans are deducted from death benefits when they become payable.) Additionally, you could use an accelerated benefits feature that allows you to access the cash value to pay for LTC.
- **Home equity.** The family home is often a key component of seniors' net worth. The problem: getting to the money without selling the house. A home equity line of credit is one possible solution. However, the loan must be repaid just like any mortgage. A reverse mortgage may offer a better solution. A reverse mortgage gives you money and you do

not need to repay the note while you are still living in the home. However, a reverse mortgage must eventually be paid and it is not suitable for all seniors. (Seniors should get counseling from an impartial housing counselor before applying for a reverse mortgage. For a referral to free counseling from a HUD-approved housing counseling agency, call 1-888-466-3487.)

As a reminder, Medicare may pay for limited amounts of LTC such as skilled nursing care, some home health care, physical, speech, and occupational therapy, some medical supplies and equipment. Medicaid may also provide some help with LTC expenses if you fit the criteria.

Retirement plan money may also be tapped to help pay for LTC. Rather than locking everything into monthly payments, you might leave some amount as a reserve – just in case

Remember that none of these alternatives for funding LTC is a “best” solution. As always, you should get qualified professional advice to help determine the best approach for you.

For more information:

- Medicare provides tools for comparing home health care agencies in your area: www.medicare.gov/HHCompare
- National Association for Home Care and Hospice: www.nahc.org/
- AARP: www.aarp.org/families/caregiving/caring_help/a2004-03-25-homecare.html
- For a list of State Health Insurance Assistance Programs (SHIPs) that offer free counseling to Medicare beneficiaries: www.hiicap.state.ny.us/home/link08.htm#links
- U.S. Department of Housing and Urban Development (HUD): for free, objective information about reverse mortgages: 1-888-466-3487 or www.hud.gov.

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