



Long Term Care & Underserved Markets

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Long-term care is a commonly misunderstood concept. Most believe it to be only necessary if it covers everything associated with retirement, when it is actually a tool for risk mitigation. Statistics say people will need some sort of care for a period of time. Gandy explains, “advisors are responsible for demystifying what long-term care actually is.” He’s coined the phrase: “the traditional [understanding] of long-term care is either you use it, or lose it, but what if we could use it, use it, use it?”

Clients, especially those in diverse markets, need to know that long-term care is:

- Affordable
- That the “if you don’t use, you lose” mentality is incorrect
- Coverage can go to family members if not used.
- We have to research to know what companies are offering and give them the realistic view of what long-term care is (not just a nursing home)
- Current trends and how they are changing/can affect them directly

Most believe they will take care of their family members in need of care, even though it could mean risking their own financial status. Gandy states that, “it’s important for clients to parent proof their retirement plan. This means asking themselves if a family member needed any type of care at any point, would they need to invest money or give them money? If yes, you need to talk to them about leveraging [their money].”

Trends

Trends are changing and important to note, as they have the potential to impact costs associated with long-term care significantly. Prather explains, “the average cost per year for a private room in 2019 was \$102,204 and typically [will] go up about 4% annually.” She also explains, Alzheimer’s is perhaps the biggest trend to watch out for, stating, “medical science has lengthened our physical life span but not our minds. By mid-century roughly 13.8 million people 65 and older will be living with Alzheimer’s. While death via stroke and heart attack has decreased significantly, someone is diagnosed with Alzheimer’s every 33 seconds [and is in need of long-term care for roughly 5 years longer than the average person.]”

Other important trends to note:

- Women are typically in need of care longer than men (3.7 years).
- Males in need of care for 2.7 years.
- Higher number of people needing care at the same time
- Longer life expectancy due to medical science
- Family dynamics - children aren’t taking care of their parents the way they did in previous generations.
- The government is constantly changing - what’s available today may not be available in 10-15 years

Tax Incentives

The government realizes that they cannot take care of everyone, therefore they offer generous tax incentives to encourage the public to purchase insurance and plan ahead. Money from long-term care that is not used can go to your family tax free.

Key Takeaways

The cost of long-term care is increasing, and it is commonly misunderstood, especially by people in diverse markets. Advisors have a responsibility to educate their clients on the value of long-term care. Trends present unique challenges that advisors will have to strategize and tax benefits cannot understated.