

Long Term Care: Planning Ahead

Long Term Care: What's The Buzz?

Longevity is increasing¹—you, like many others, will likely be able to enjoy a longer life. However, with increasing longevity comes an increasing likelihood that one day you will not be able to live on your own or provide self-care. In response, the demand for long term care services has been growing in the United States each year.¹

Long term care refers to a continuum of services intended to assist people living with chronic health problems that influence their ability to perform everyday activities. It includes assistance with basic personal tasks such as dressing, bathing, and using the restroom. Long term care can be provided at home, as well as in a nursing home or assisted living facility.

Long-term care costs have skyrocketed in recent years. The median annual cost of care for a private room in a nursing home was \$116,800 in 2023². Likewise, the estimated lifetime cost of care for someone

with dementia was \$321,780 in 2023³.

These expenses can be a significant personal undertaking. Daily, protracted long term care services are not covered by health insurance.⁴ Medicare only covers long term care services for short periods of time which must follow a recent hospitalization for the same or related condition. Medicaid does cover long term care services, but recipients must meet several financial eligibility criteria. As a result, Medicaid is typically a last resort for most individuals.⁴

With limited long term care coverage available through health insurance and Medicaid, it is thus important to plan ahead for long term care needs. Many clients could not comfortably fund this type of care for a sustained period of time. Clients who find care unaffordable often turn to close family and friends for help, which can fiscally and emotionally strain those they love.

¹ [Long-Term Care Statistics To Know in 2024 - Annuity.org](https://www.annuity.org/long-term-care-statistics-to-know-in-2024)

² <https://www.genworth.com/aging-and-you/finances/cost-of-care>

³ <https://www.morningstar.com/personal-finance/100-must-know-statistics-about-long-term-care-2023-edition>

⁴ <https://acl.gov/lc/costs-and-who-pays/who-pays-long-term-care>

Get the Facts: The Reality of Long Term Care

67.9% of people in long-stay nursing facilities are women.¹



70% of people turning age 65 will need some type of long-term care services in their lifetime¹.

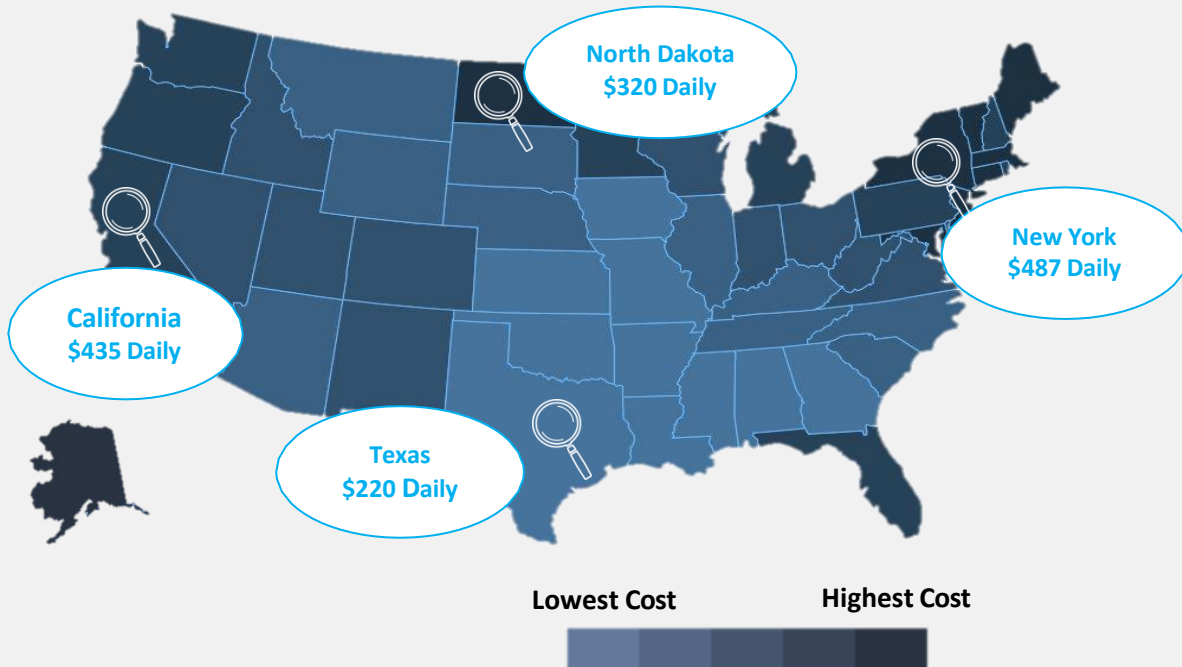
\$476.4 billion: Long-term care expenditures in the U.S.²



4.65%: Change in median annual nursing-home cost since 2019¹

NATIONAL COST OF CARE AVERAGES³

Skilled Nursing Homes - Daily Private Room



Your long term care costs will be impacted by your geographical location. The average daily cost of care for a private room within a skilled nursing home ranges from \$215 to \$1,137 across the states.

¹ <https://www.morningstar.com/personal-finance/100-must-know-statistics-about-long-term-care-2023-edition>

² <https://crsreports.congress.gov/product/pdf/IF/IF10343>

³ <https://www.genworth.com/aging-and-you/finances/cost-of-care>



The Long Term Care Solution

Purchasing long term care coverage can help protect you and loved ones against uncertainties. Coverage may remove some of the economic constraints associated with paying for long term care services.

The cost of long term care options may be based on the age at which you purchase the policy, the maximum daily amount of money that the policy will pay, how long the policy will last, health status, life expectancy, and other factors.

There are different types of long term care options:

1



Traditional Long Term Care Insurance (LTCI)

Long term care insurance provides benefits to those who need assistance with daily living activities or that have severe cognitive impairments. You pay premiums for long term care coverage; in return, if you need long term care you will receive a periodic payment from the insurer for the time period specified in your contract.

2



Linked Life/LTCI Policy

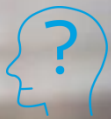
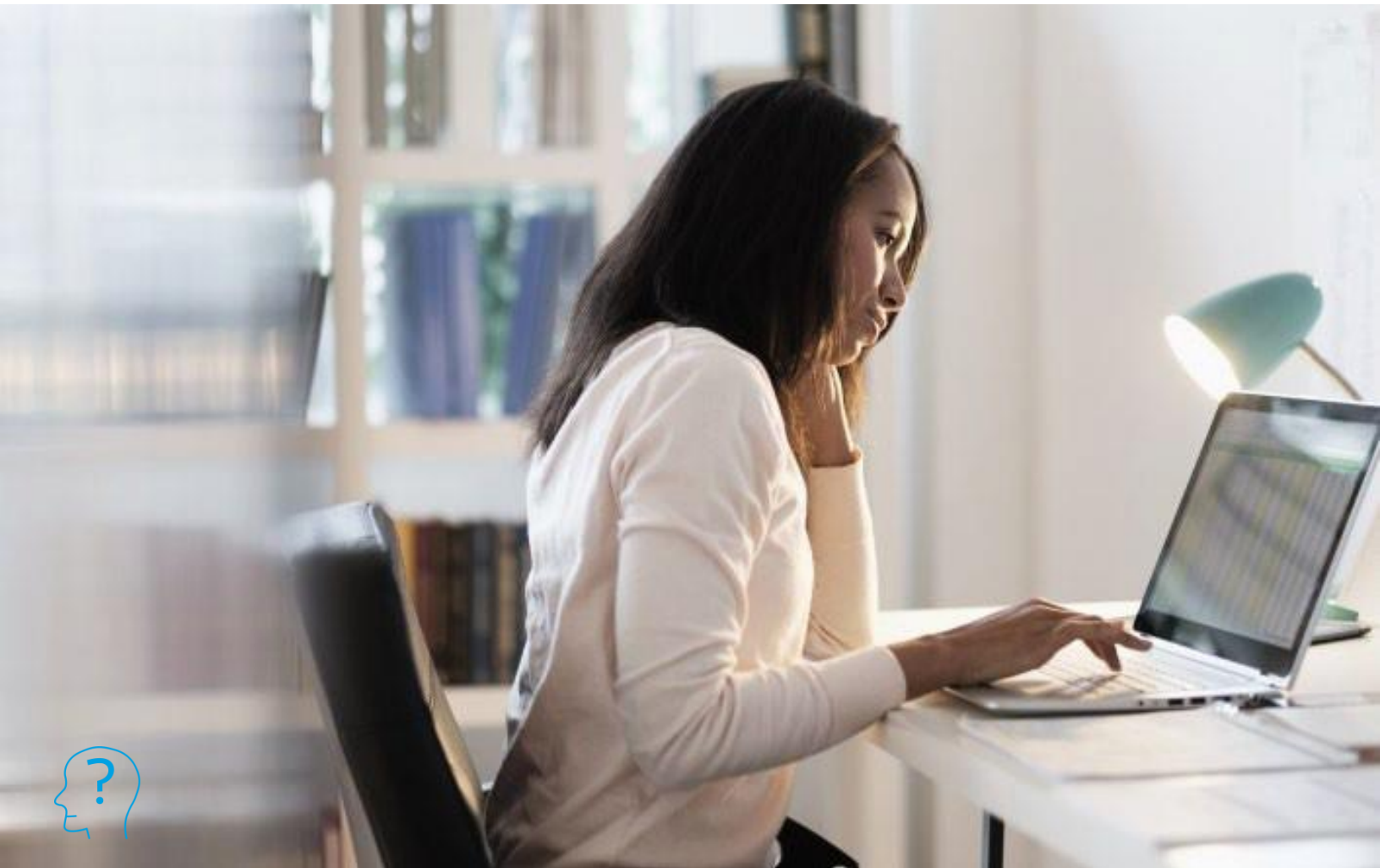
A linked life/LTCI policy can be thought of as a combination of life insurance with tax qualified long term care insurance. Linked policies use permanent life insurance as their foundation, and offer a long term care rider that can be added in order to provide for long term care services. If you need long term care, your life insurance death benefit is accelerated. This is usually followed by an extension of benefits, which extends payouts beyond depletion of the primary policy's death benefit.

3



Permanent Life Insurance with a Chronic or Terminal Illness Rider

A chronic or terminal illness rider can be added to a permanent life insurance policy in order to provide for long term care services, if needed. These riders accelerate the death benefit and ensure that you will receive payment if you are diagnosed with a pre-specified chronic or terminal illness.



Long Term Care Coverage Considerations

There are a number of key points of interest to consider in advance of purchasing a long term care option. These include:

- If you end up needing long term care, what sources would you use to fund it?
- Do you know the cost of long term care services in your state?
- Would it be an economic or emotional burden to have family members care for you if needed?
- Have you consulted your financial advisor to determine whether long term care coverage is appropriate?



Long Term Care Coverage – The Benefits of Buying Young

There is generally no better time to buy insurance than the present—long term care coverage is usually more affordable when you are young as rates are based on age and health. Consider talking to your financial advisor about long term care coverage.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not “fiduciaries” (under the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/dol. Individuals are encouraged to consult their tax and legal advisors regarding any potential tax and related consequences of any investments made under an IRA.

©2024 Morgan Stanley Smith Barney LLC. Member SIPC.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates.

CRC#3935507

Date: 10/2024