



Planning for Long-Term Care

You have spent years carefully working and planning so that you have sufficient income for a comfortable retirement. Have you ever considered what might happen if you or your spouse required long-term care?

The cost of long-term care services—whether they are provided in the home, at a community facility or in a nursing home—may not be covered under major medical plans or Medicare, and therefore can be a considerable threat to your retirement savings. Planning for long-term care can help you manage this risk, and help give you more choices and more control over the care you receive.

What Is Long-Term Care?

Long-term care refers to personal care or supervision for an extended period of time. It involves a variety of services designed to meet a person's health or personal care needs. These services help people live as independently and safely as possible when they can no longer perform everyday activities on their own.

While long-term care is often associated with the effects of aging, it may be needed at any time, due to an accident or illness. Some conditions that might require long-term care include stroke, cancer and Alzheimer's disease or dementia.

Why It's Important to Talk About Long-Term Care

There are many reasons why people don't plan for long-term care, including the natural tendency to avoid thinking about becoming dependent on others for care, misinformation about the risks of needing care, and lack of knowledge about the cost of care and payment options.

Talking about long-term care is important because there is a good chance you will need long-term care services at some point in your life. In fact, about 20% of those over age 65 will require long-term care for more than five years.¹ Talking about long-term care is also important because the cost of long-term care services often exceeds what the average person can pay from income and other resources, particularly in retirement.

Keep in mind that your retirement may be significantly longer than that of previous generations. As you get older, your health care expenses are likely to increase. In fact, according to the Employer Benefit Research Institute, a 65-year-old couple would need \$318,000 in savings to have a 90% chance of meeting health care costs in retirement.² And, that doesn't even include the potential costs of long-term care.



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SAVINGS REQUIRED

Health Care Expenses Tend to Increase as You Get Older²

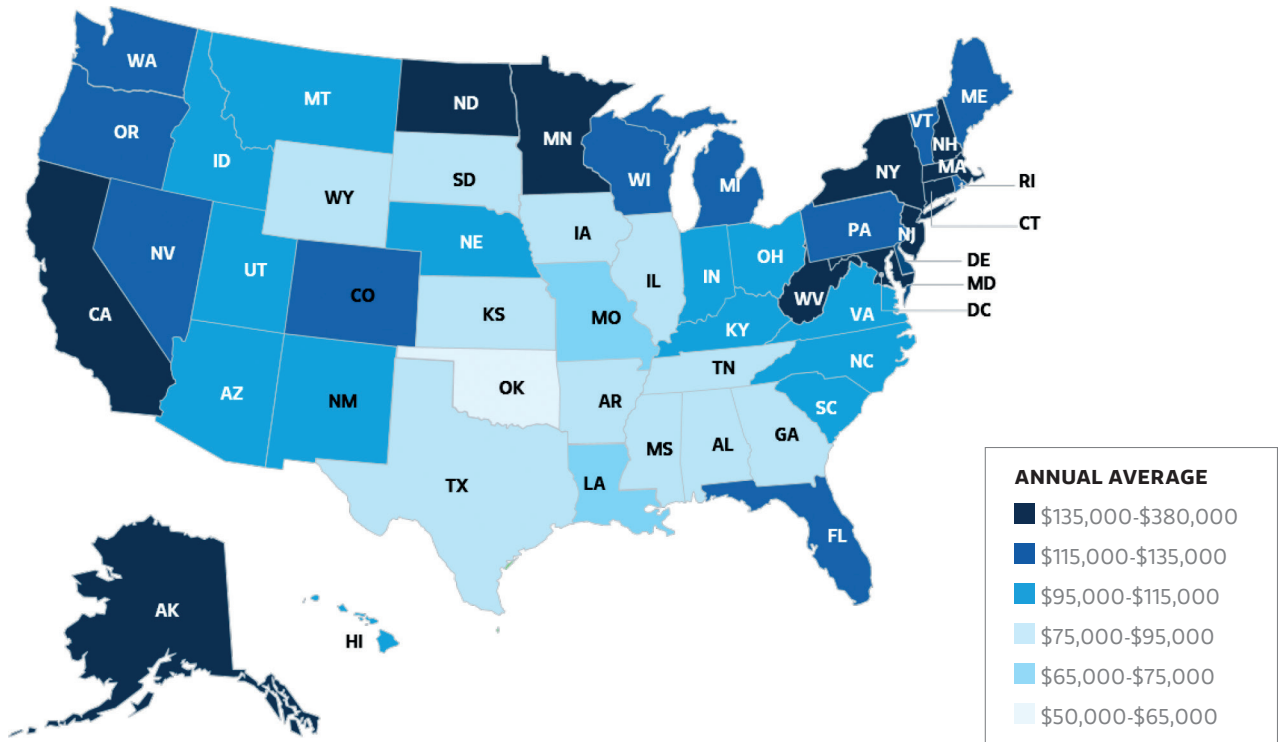
50%
Chance of meeting retirement health care costs

90%
Chance of meeting retirement health care costs

| | | | |
|-----------------------------------------------------------------------------------|--------------------|-----------|-----------|
|  | 65-year-old man | \$96,000 | \$166,000 |
|  | 65-year-old woman | \$116,000 | \$197,000 |
|  | 65-year-old couple | \$212,000 | \$318,000 |

The Costs of Long-Term Care³

TODAY



Source: LTC News. National Cost of Care Calculator. Available at <https://www.ltcnews.com/resources/states>. Accessed September 6, 2023

IN THE FUTURE²

| | IN 2022 | IN 2037 | IN 2052 |
|----------|-----------|-----------|-----------|
| One Year | \$108,199 | \$161,355 | \$240,624 |

Paying for Long-Term Care

| | MEDICARE | MEDICARE SUPPLEMENT | MEDICAID | YOU PAY ON YOUR OWN |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Nursing Home Care | Days 0-20—Pays in full if you're hospitalized for at least three consecutive days before entering a Medicare-approved skilled nursing facility. Days 21-100—May pay for the difference between the total daily cost and a significant copayment if you continue to need skilled nursing care | Days 21-80—May cover a significant copayment if your nursing home stay meets all other Medicare requirements | Medicaid will pay for nursing home care. However, most individuals will not qualify for Medicaid in most states unless he or she has less than \$2,000 in countable assets | If you need only personal or supervisory care in a nursing home that does not participate in Medicaid or is not Medicare-certified |
| Assisted Living Facility (and similar facility options) | Does not pay | Does not pay | In some states, may pay care-related costs, but not room and board | You pay on your own except as noted under Medicaid, if eligible |
| Continuing Care Retirement Community | Does not pay | Does not pay | Does not pay | You pay on your own |
| Adult Day Services | Not Covered | Not Covered | Varies by state, financial and functional eligibility required | You pay on your own except as noted under Medicaid, if eligible |
| Home Health Care | Limited to reasonable, necessary part-time or intermittent skilled nursing care and home health aide services, and some therapies that are ordered by your doctor and provided by Medicare-certified home health agency. Does not pay for ongoing personal care or custodial care needs (help with activities of daily living) | Not Covered | Pays for, but states have options to limit some services, such as therapy | You pay on your own for personal or custodial care, except as noted under Medicaid, if eligible |

Source: LongTermCare.gov (Medicare and Medicaid) 2023

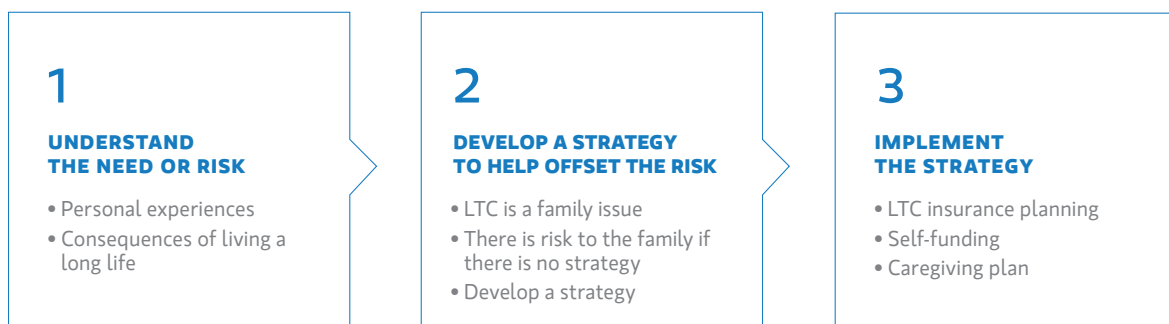
A common misconception is that Medicare or Medicaid will pay for all expenses. The reality is, Medicare does not pay for assisted living facilities, continuing care retirement communities or adult day services. Medicare does provide limited coverage for nursing home care or home health care. For example, Medicare will pay for up to 20 days of nursing home care if you are hospitalized for at least three consecutive days before entering a Medicare-approved skilled nursing facility. If you continue to need skilled nursing, Medicare may pay for the difference between the total daily cost and a significant co-payment, but only up to 100 days. Thereafter, the costs of long-term care would be entirely your responsibility.

One alternative to paying these expenses out of your own pocket is long-term care insurance. By paying an annual premium, perhaps from your investment earnings, you can transfer the risk to an insurance company and help protect your assets from long-term care costs. Long-term care insurance can also help you maintain your independence and give you the freedom to choose the type of care you want.

Considerations for Long-Term Care Insurance: A Checklist

- How much protection (daily benefit) does the policy provide?
- Does the policy contain inflation protection?
- How many years of Long-Term Care facility institutionalization are included?
- Is custodial care (assistance with basic daily activities either in your home or a nursing home) covered?
- Is home care covered?
- Does the policy have restrictive provisions on pre-existing conditions?
- Is the right to renew the policy guaranteed for life?
- How financially sound is the company offering the policy?
- What are the monthly/annual costs?

The Long-Term Care Planning Process



At Morgan Stanley, we are here every step of the way to help you plan for the retirement you envision, including providing guidance on long-term care insurance. We look forward to answering your questions and developing tailored strategies to help you make the most of the options available to you.

Let's have that conversation.

¹ A Place for Mom. Long-Term Care Statistics (2022): Current & Future Demand. Available at <https://www.aplaceformom.com/caregiver-resources/articles/long-term-care-statistics>.

² LTC News. National Cost of Care Calculator. Available at <https://www.ltcnews.com/resources/states>. Accessed September 6, 2023.

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