

Should retirement planning also include long-term care

It seems like enough work and discipline to save for retirement during your working years.

Most of us aren't up to the task, according to research by the Pew Charitable Trusts. They've discovered a sobering statistic you may have heard: Half of all Americans in their late 50s have \$10,000 or less saved in 401(k)-type plans or personal IRAs. That isn't going to get you very far during retirement.

But if you are doing better than average in saving for retirement, at some sacrifice to your current standard of living, should you be doing even more—such as putting aside money for long-term care (LTC) or purchasing a long-term care policy? It's a tough decision, mainly because while you are in your 30s, 40s or 50s, you don't want to think about old-age in a nursing home!

But in another landmark study by Pew researchers (as part of their "Retirement Security Project"), the foundation says you definitely should be considering long-term care issues. Here's why:

- **When you retire, there will be more retirees than resources.** By 2030, how old will you be? If you'll be retired by then, you'll be among 71 million other retired Americans. The entire country will have the demographic make-up of Florida today. Don't count on the government being able to meet the long-term care needs of this huge senior population.
- **More of us will end up in nursing homes.** As life expectancy increases, so do the number of Americans with chronic illnesses. The Pew study predicts that over the next 20 years, almost half of those aged 65 or older are projected to use a nursing home at some point during their lives, and the number entering facilities may double.
- **Nursing home costs will threaten retirement security.** The government pays few long-term care costs until the person needing the care has depleted retirement savings. This is a particular problem for married couples where one person needs care, yet the other wants to retain the economic means to continue to live independently.
- **Private long-term care insurance is growing in popularity.** The Pew report cites that in 2002, private insurance (both LTC insurance and general health insurance that covers some LTC services) accounted for 10 percent, or \$14.4 billion, of national nursing home and home health care spending. That's not a small figure. Between 1991 and 2001, the total number of LTC

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FYF 0106

NASD Review Letter Reference # FX2005-1108-0059/E

insurance policies sold grew from 2.4 million to 8.3 million, according to the Health Insurance Association of America.

The Pew report notes that, unfortunately, most people wait too long to purchase long-term care insurance. By then, the premium is higher (the premium is set based on your age when you purchase the insurance and costs more as you get older). But to do nothing can be a catastrophic decision. Concludes the Pew report: "One year in a nursing home costs on average \$52,000, which is more than most people's entire retirement savings. Without insurance, LTC needs that are not met by Medicaid must be financed from retirement income, savings and other assets, or by imposing burdens on family members or friends."

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