

Get The Facts!

# The High Cost of Care

An overview of  
long term care expenses





**M**any consumers are shocked at the monthly cost when they need long term care services. The chances that you'll find yourself in this situation are quite high. At age 65, 70% of people will need some type of long term care services at some point in their lives.<sup>1</sup> That's 7 of 10 individuals. A significant quantity – wouldn't you agree?

There are a number of different services for care and you should become familiar with the general costs associated with each. This can help greatly with planning for long term care needs.

In most cases, people prefer to receive care in their own home for as long as possible. Care at home is usually provided in part by family members and friends. However, even with their contributions, it is generally necessary at some point to hire professional help, at least on a part time basis.

An in-home homemaker, which is a non-medical professional who helps with household tasks such as cooking and cleaning, may be an initial hire. The national average cost for their services is approximately \$19 per hour.<sup>2</sup>

Assuming your family and friends are able to provide assistance to minimize your reliance on outside help, you may be able to limit your employment of a homemaker to 4 hours a day, 4 days a week, for example. Even this limited amount of help adds up to around \$1,200 per month, a yearly average of \$15,000. Extend that to an eight hour day for five days a week, and your costs would increase to around \$3,000 a month. These expenses can have significant impact on your finances. And when you consider the impact of inflation, costs will only increase as time goes by.

A second option, if you need more personal assistance than a homemaker aide can provide, is a home health aide. These are still non-medical professionals who can assist with everyday tasks, but may also assist with more personal needs. This may include administering medications, driving you to doctor's appointments, or dressing and bathing. The national average cost for this type of care is approximately \$20 per hour, slightly higher than homemaker services.<sup>2</sup>

If your long term care needs are more severe, you may find you need to transition into an assisted living facility or nursing home to obtain the level of care you need. Assisted Living Facilities and Nursing Homes cost considerably more. The average monthly cost across the U.S. for a shared room in a nursing home is around \$6,448. That's over \$200 per day! Even a less expensive assisted living facility clocks in at an average of around \$3,500 monthly, over \$100 per day.<sup>2</sup> For comparison, the most recent figures on the average rent for an apartment in America are about \$900 per month.<sup>3</sup> When you consider adding these expenses to your current financial commitments, it is clear that most of us will require some assistance in paying for long term care services if and when they are needed.

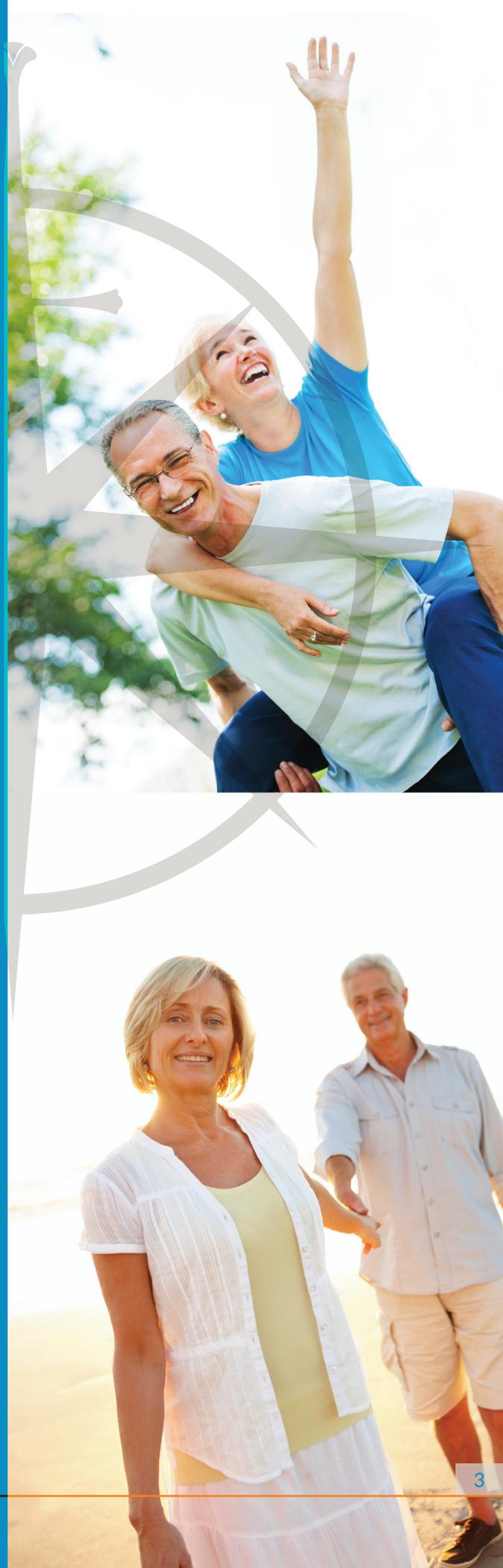
A primary factor that has to be taken into consideration is inflation and how it will affect costs.

According to a 2010 study, long term care costs have grown 4.7% to 6.6% per year over a 6 year period, depending on the type of service rendered.<sup>4</sup>

Let us simplify the math as to how this may apply in real terms.

Let's take a person who is 60 years of age. He may not need benefits for many years, but is putting his plan in place today. His plan includes preparing for a cost of \$100 per day for long term care services. If costs increase at a 5% inflation rate (a rounded off figure at the low end of our study statistics), after a period of 14 years the cost is now at \$200 per day – double the original planned figure.

In short, inflation does have to be taken into consideration when contemplating a plan for covering long term care expenses.





Now that you have some familiarity with services and costs for long term care, planning now can help prepare you for any needed services later on. Whether you choose to use long term care insurance, self-fund, or use other financial instruments, it's important to put that plan in place now.

When developing a plan for your future long term care needs, it's important to have a candid discussion with your family about your wishes. This gives them the opportunity to understand the role they will play and determine what assistance they are able and willing to provide. It also helps them prepare to fulfill your plan as they will bear a bit of the responsibility to see that you are well taken care of. By having these discussions and settling on a plan well in advance of needing long term care, your family can be prepared to take the action agreed upon when the time comes.

If you will be self-funding your care with cash, investments or other financial instruments besides long term care insurance, you and your family will be researching all the potential care options on your own. It will be part of your plan to identify and decide on homemakers, home health aides, assisted living facilities and nursing homes.

If you decide to purchase long term care insurance, besides the financial benefits at claim time, there is added value in receiving help and consultation. Long term care insurance companies have teams of qualified nurses and social workers experienced in addressing the needs of their claimants. They are happy to assist you in finding the right care. Whether it's a homemaker that is needed or a nursing home, they can guide you in the right direction. For family members it's an invaluable resource to have.

Start your long term care planning today.

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1. <http://longtermcare.gov>
  2. Genworth 2014 Cost of Care Survey, Genworth Financial Inc., 2014
  3. <http://www.deptofnumbers.com/rent/us/>
  4. <http://www.prudential.com/media/managed/LTCCostStudy.pdf>