

## THINK PAST THE PRESENT: PLANNING FOR LIFE'S LATER CHAPTER

*Learn the options early and formalize your goals*



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An aging population and continually increasing health care costs foster the need to create a strategy to address these expenses in the later chapters of one's life.

### LONG-TERM CARE TODAY

There are two prominent factors shaping the current landscape in which we live today: longer life spans and aging baby boomers. The baby boomer population has roughly 8,000 people turning 65 every day, of which it is estimated about 70% will need long-term care services/support and approximately 40% will require care in a skilled nursing facility<sup>1</sup>. Despite the increasing needs of this demographic, 73% of people would not know what to do today if they received a call letting them know a family member needed long-term care. Furthermore, 78% of people say they would find it helpful to talk to a financial professional about long term care planning, however only 16% have had such a conversation<sup>2</sup>.

### PRACTICAL CONSIDERATIONS

Creating an effective plan now can help avoid years of dealing with the consequences of unsound decisions later on. The following questions may help foster discussions with your loved ones in order for all parties to collectively understand your current circumstance and learn the options early.

- Is it difficult for me to connect with family and friends?
- How easy is it for me to get around?
- How is my health, along with the health of my spouse?
- Am I able to pursue loved hobbies or activities?
- What is the burden that caregiving could place on my loved ones?
- Can I put a price on the peace of mind that accompanies a long-term care strategy?

### DEFINING LONG-TERM CARE

In addition to considering when a long-term care transition may be best, you also have to consider what level of care is appropriate in light of your current physical, mental, and emotional needs.

#### *Independent Living*

Independent living communities cater to residents who are self-sufficient and who do not need hands-on care. Residents are free from the inconveniences of home ownership and often burdensome responsibilities such as laundry and meal preparation. These communities offer a broad range of physical, intellectual, and social activities as well. Independent living does not typically provide supervision of medication or assistance with dressing or other personal needs.

<sup>1</sup> Genworth 2011 Financial Reality Check Study.

<sup>2</sup> Genworth/Age Wave. November 2010. Our Family, Our Future: The Heart of Long Term Care Planning Study



### Assisted Living

Assisted living communities provide housing and care to residents who may need assistance with some daily tasks, but who do not require the skilled care provided at a nursing home. Assisted living properties can be tailored to meet the individual needs of each resident, so they can continue to live as independently as possible with the additional option of personal assistance. Assistance with medications, meals, housekeeping and activities of daily living (bathing, dressing, feeding, transferring, toileting, and continence) are routinely provided. Three meals per day are also served in a central dining room. Social activities and scheduled transportation are available in most communities. Assisted living is the fastest growing long-term care option, rated by 93% of residents and their families as a good or excellent experience<sup>3</sup>.

### Skilled Nursing Care

Skilled nursing care is for individuals who require a high level of round-the-clock nursing care. Residents may also include patients recuperating from surgery or hospitalization. Skilled nursing homes today offer engaging resident activities, skilled medical attention such as occupational, speech, and physical therapists as well as licensed physicians and professional care staff. Skilled nursing homes also include medical equipment such as X-ray machines, electronic beds and pharmacies to cater to their patient's needs.

### FINANCIAL CONSIDERATIONS

When a loved one needs long term care, new expenses often emerge. These expenses have historically increased faster than general inflation. Facing increasing life expectancies, effective financial planning is needed to understand current costs and their potential growth. Genworth's Beyond Dollars study covers 14,800 long term care providers in 440 regions nationwide. Following this study, the figures below were compiled:

Genworth 2014 "Beyond Dollars"	National Median Rate	National Five Year Annual Growth
Assisted Living Facility	\$42,000	4.29%
Nursing Home Care (Semi-Private Room)	\$77,380	3.91%
Nursing Home Care (Private Room)	\$87,600	4.19%

\*Please note: independent living was not included in the study. However, the average cost of a one-bedroom, independent living community stands at a national median rate of \$33,000<sup>4</sup>.

### OPTIONS FOR FUNDING

The resources to pay for long-term care are limited. By understanding the payment options upfront, you can help avoid an unexpected impact to your overall retirement, estate transfer, or philanthropic strategies. Their options include Medicare, long term care insurance and personal resources.

- Medicare: May pay up to 100 days, only if you are hospitalized at least 3 days prior and only if you require skilled level care. Medicare covers 100% for the first 20 days.

Days 21-100 Medicare requires a co-payment of \$152/day (2014). After 100 days, Medicare pays nothing.

- Long Term Care Insurance: Premiums vary according to an individual's age, gender, health, and the benefit options selected. The choice to purchase a long term care policy should weigh the financial and emotional benefits of coverage.
- Self-Insure: A viable option for many depending on their particular financial situation. It is important, however, to understand the future growth rate of expenses in light of existing goals around wealth transfer or charitable giving strategies.

<sup>3</sup> 2013 Survey: Assisted Living Federation of American  
<sup>4</sup> A Place for Mom, Trusted Senior Living Advisors

## SOLUTIONS FOR A LIFETIME OF WEALTH

If self-funding is a sustainable option for you, questions to address with your investment professional may include:

- Does my current portfolio provide me with long-term growth as well as reliable cash flow?
- Is my current retirement income approach designed to help keep up with inflation?
- How will I plan for the increasing cost of health care?
- How will I plan for an unexpected long-term care need?

## CULTIVATE AN INTEREST IN YOUR FINANCIAL FUTURE

We believe that assets have a purpose and should be intentionally invested to match future financial goals. Through Northern Trust's holistic and powerful approach of Life Driven Wealth Management we can align your financial resources with your personal goals to create an integrated strategy that empowers you with a full understanding of how you may achieve your lifetime goals. Life Driven Wealth Management is enhanced by Goals Driven Investing. Goals Driven Investing is at the forefront of our investment strategy, matching your life goals with the appropriate asset allocation based on each goal's time horizon and your risk preferences. The end result is an investment portfolio that helps to achieve your objectives while taking into account the effects of taxes, expenses and inflation. Our highly personalized approach empowers you with a complete view of your financial picture for today, and for tomorrow.

## FOR MORE INFORMATION

As a premier financial firm, Northern Trust specializes in life-driven wealth management backed by innovative technology and a strong fiduciary heritage. For 125 years we have remained true to the same key principles – services, expertise and integrity – that continue to guide us today. Our Wealth Planning Advisory Services team leverages our collective experience to provide financial planning, family education and governance, philanthropic advisory services, business owner services, tax strategy and wealth transfer services to our clients. It is our privilege to put our expertise and resources to work for you.

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