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Planning for Long-Term Care

The Administration for Community Living says that 65-year-olds today have a nearly 70 percent chance of needing long term care services during their remaining years. Fortunately, long term care insurance can help to alleviate some of the high costs of these services.

Long term care is a catch all term that refers to services for people who are chronically ill, have permanent disabilities, or just need help with daily activities like bathing or eating. This care can be provided in your home or in a facility such as a nursing home, but it's costly. At present, the average price of a private 1, CAPTRUST is more than 108, 000 annually, and an in-home aid averages nearly 28 an hour, or nearly 60, 000 a year.

Unfortunately, Medicare does not directly cover all of the costs of long-term care, and in many cases, neither does private medical insurance. But there are options. You can cover these costs using long term care insurance, also called LTC insurance, hybrid insurance, which combines LTC insurance with life insurance, or pay for these costs out of pocket as they arise.

LTC insurance offers a structured way to cover the potentially significant costs of extended care. It can be a relief to know you have this coverage if the need arises, without having to dip into your savings. Premiums for LTC insurance can be substantial, and they tend to get more expensive the longer you wait to purchase it.

The younger and healthier you are when you purchase, the more manageable. Some LTC insurance also covers inflation, meaning your coverage can keep pace with rising costs over time. The hybrid insurance option offers health coverage if you need it, and a death benefit to your family if you don't. This option usually has the highest premium.

If you'd rather not pay for something that you may not use, you can choose to cover the costs of your long term care out of pocket, often called self-insurance. This can be an attractive option if you have significant assets that you can liquidate. There are no premiums to pay, and your funds are under your control to be spent or not spent as you see fit.

The disadvantages of self-insuring are that care costs can skyrocket, depleting your assets. And there's the risk of poor investment returns or other financial downturns that could impact the funds you've set aside for your healthcare. To understand which option may work for your goals and circumstances, talk with your financial advisor.

They can help you integrate health care costs into your financial plan.

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