
Long-term Care: A Painful Reality

While we might not like to think about it, we are all getting older and that means we are more likely to need long-term care at some point in our lives. Modern medicine has helped extend our life spans, meaning that old age often lasts longer and can be costly.

Paying for long-term care is not easy. Most of us do not want to go to a nursing home; however, in certain situations there is no choice. Nationwide, the average annual cost of a nursing home is approximately \$80,000; however, in many metropolitan areas the average annual cost can exceed \$200,000. Assisted living and home care are also very expensive.

Most people think that these costs only affect the life savings of the seniors receiving the care; however, there are a substantial number of adult children who take care of their aging parents, including paying the costs of housing, healthcare and incidental expenses. For many, this can be a significant time and financial burden, and can compromise the retirement plans of baby boomers that now confront the very real possibility of depleting their own savings in order to assist their parents.

In spite of the above, many of us don't plan for the management of our financial and medical affairs in the event we become incapacitated. Others take some steps, but don't go far enough to ensure that their hard-earned assets are protected. This is unfortunate since the greatest threat to the "nest egg" of a senior is an extended stay in a nursing home.

One reason that people do not plan for long-term care is that they do not know how much it costs and they think that Medicare will cover their nursing home expense and other long-term care needs. This is a misconception. Medicare is a federal program that provides health insurance for many seniors and others with disabilities; however, it provides very limited coverage for certain short term nursing home stays, with significant restrictions and copayments. Medicare does not provide coverage for long-term care in a nursing home.

Many people confuse Medicare with Medicaid, since the names are so similar, but, the programs are very different. Medicaid is a means-tested program, available to certain individuals that meet very strict income and asset requirements. As federal and state budget issues continue to escalate, the rules regarding Medicaid eligibility continue to be tightened, making it more difficult to qualify. Medicaid will only pay for long-term care if you qualify. Medicare will not pay for long-term care. This may seem unfair, but it is the law.

Despite the strict rules and regulations regarding Medicaid eligibility, it is still possible to qualify and preserve a portion of your assets for you and your family. Although it is better to begin planning before you or your loved ones need assistance, it is never too late to plan. In fact, you can still protect a significant portion of your assets even if you are already in a nursing home. Remember, the sooner you engage in elder care planning, the more assets you can protect for yourself and your family.

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One of the things that you can do to facilitate planning is to appoint someone as your agent under a durable power of attorney, to ensure the proper planning and management of your financial affairs, should you become incapacitated. By having a durable power of attorney, you can avoid the expense of a guardianship. A guardianship is a legal proceeding whereby a court appoints someone to handle your affairs while you are incapacitated. The appointed individual may or may not be the person you want. By executing a durable power of attorney, you can designate the person of your choice to handle your financial affairs in the event you become incapacitated.

Another item to consider is long-term care insurance. Long-term care insurance will cover the cost of stays in assisted living facilities, nursing homes, and care at home. There are several different types of policies available. Many states provide tax credits for a portion of the long-term care insurance premiums paid. The federal government offers a limited tax deduction for those who itemize their medical expenses. To qualify for long-term care insurance you must go through

stringent underwriting requirements by the insurance company. This should serve as a wake-up call to other family members: considering long-term care insurance is a vital part of overall financial and estate plans.

Dealing with long-term care forces us to confront some very difficult issues. While we might not have much control over certain things, by planning ahead for elder care, we can make things easier for ourselves and our families. [®]

By **Bernard A. Krooks, Esq.**

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