



What is long-term care?

Long-term care is a range of services and supports you may need near the end of your life for basic everyday tasks, including housework, bathing and eating. Long-term care includes assistance in your own home as well as residence in nursing homes and assisted living facilities. This briefing highlights key considerations and strategies when planning for long-term care and assumes that you will self-insure rather than purchasing long-term care insurance.

Likelihood of needing long-term care

Approximately 70% of Americans 65 and older will eventually need some form of long-term care, and 20% will need care for more than five years.¹ Some individuals are at higher risk for developing medical conditions that require long-term care, but it is impossible to predict the exact type and duration of your future care needs. The U.S. Department of Health and Human Services estimates that **the average American turning 65 today will spend \$120,900 on long-term care.**² However, many will spend significantly more.

What does long-term care cost?

Americans received around \$849 billion worth of long-term care in 2018, and this number could reach as high as \$2.5 trillion by 2030 (almost 10% of the country's 2022 gross domestic product).³ Long-term care is a wildcard, because you may or may not need it. If you do, it's a cost that may compound over decades, at an uncertain

Costs of Long-Term Care⁴

Estimates for future costs based on national medians + 3% annual inflation

	1 Year of Care			3 Years of Care		
	Home Care (44 hours/week)	Assisted Living Facility	Nursing Home (private room)	Home Care (44 hours/week)	Assisted Living Facility	Nursing Home (private room)
Current*	\$65,544	\$57,288	\$114,576	\$202,584	\$177,072	\$355,488
+ 10 years	\$88,080	\$76,992	\$154,560	\$272,240	\$237,972	\$477,728
+ 20 years	\$118,368	\$103,464	\$207,720	\$365,867	\$319,815	\$642,027
+ 30 years	\$159,084	\$139,056	\$279,156	\$491,695	\$429,803	\$828,053
+ 40 years	\$213,792	\$186,876	\$375,168	\$660,788	\$577,620	\$1,159,572

Source: Genworth Cost of Care Survey, 2021

*Based on 2023 projected amounts, which are calculated using Genworth 2021 data and assume a 3% annual inflation increase

¹ "How Much Care Will You Need?" ACL Administration for Community Living, February 18, 2020.

² Richard W. Johnson and Judith Dey, "Long-Term Services and Supports for Older Americans: Risks and Financing, 2022," Office of the Assistant Secretary for Planning and Evaluation, September 27, 2022.

³ Tara O'Neill Hayes and Sara Kurtovic, "The Ballooning Costs of Long-Term Care," AAF, February 18, 2020.

⁴ "Cost of Care Survey," Genworth, June 2, 2022.

inflation rate. Although you may escape the drain of long-term care expenses, if you don't, they can wipe out your savings before the end of your life. Planning and saving for this potentially enormous future expense will give you the peace of mind that comes from knowing you're covered, and it will also protect your loved ones from the financial burden of your future care.

On page 1, the table on the left illustrates the cost for a single year of various forms of care in projected 2023 dollars and at various times in the future (with a projected 3% annual inflation rate). The table on the right illustrates the exact same types of costs but for a total of three continuous years of care (again, with annual adjustments for inflation).

Types of long-term care

There are three primary types of long-term care. We list them here in order of the level of services they offer. People typically progress from one to another as their needs intensify.

1 Home care

Home care allows you to continue living in the comfort of your own home with support from your family and/or professional caregivers. As of 2022, the national average cost for homemaker services was \$28 per hour, which amounts to \$196 a day for a 7-hour day.⁵ Adult day care centers can supplement home care by providing activities and personal support for elderly people outside of their homes, temporarily relieving the home caregiver. The national average cost, per day, for an adult day care center is \$83.⁶

2 Assisted living facility

Assisted living facilities provide a more independent lifestyle than nursing homes while maximizing quality of life by offering recreational and social activities.⁷ The average stay is around two and a half years.⁸ Some assisted living homes specialize in care for individuals with Alzheimer's.

3 Nursing home

Nursing homes offer more extensive medical services for individuals who require daily medical care or have severe cognitive impairments. This makes a nursing home the most expensive long-term care option. In June 2023, nursing home care grew the fastest among all major healthcare categories at 6.2%.⁹ More than half of seniors will spend time in a nursing home, with the average stay being around two years.¹⁰

One in nine Americans age 65 or older has Alzheimer's disease, and the lifetime cost of care for someone with dementia is close to

\$400,000.¹¹



⁵ *Ibid.*

⁶ *Ibid.*

⁷ "Assisted Living vs. Nursing Homes: Costs & Payment Options," *Paying for Senior Care*, August 21, 2020.

⁸ "How Long Do Most People Stay in Assisted Living?" *Stillwater Senior Living*, March 3, 2023.

⁹ Kathleen Steele Gavin, "Nursing Care Has Fastest-growing Prices of Healthcare Sectors," *McKnight's Senior Living*, July 20, 2023.

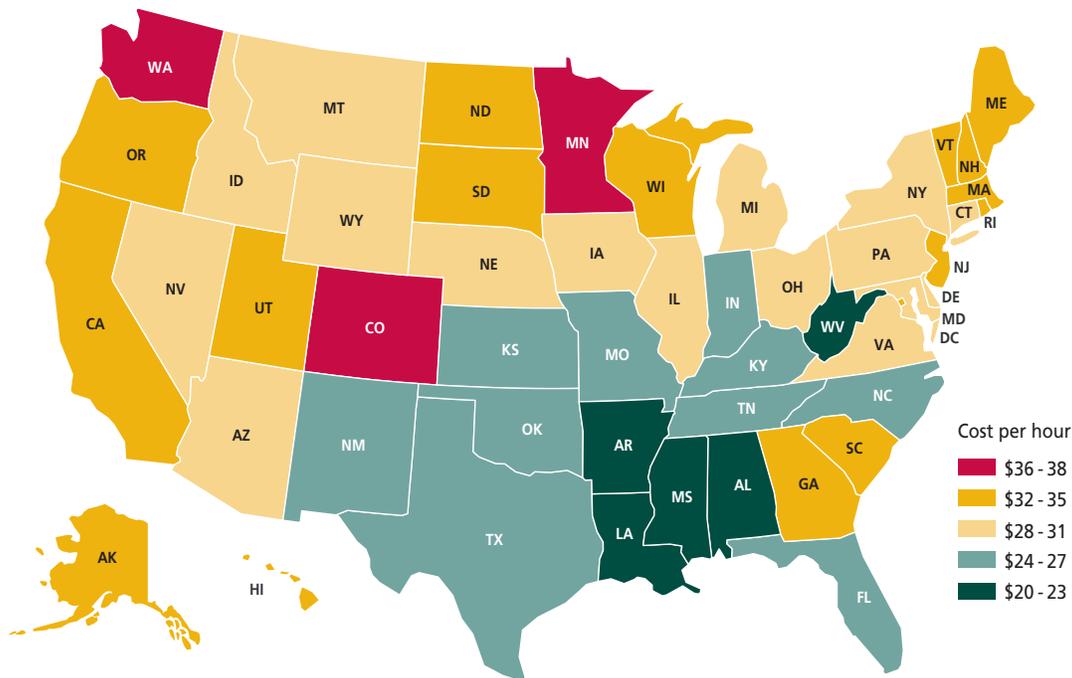
¹⁰ Shawn Plummer, "What Is the Average Length of Time Spent In a Nursing Home?" *The Annuity Expert*.

¹¹ "2023 Alzheimer's Disease Facts and Figures," *Alzheimer's Disease and Dementia*, 2023.

Long-term care costs vary dramatically by state

The cost of long-term care varies dramatically by location, with the average cost in some states more than double that in other states. For example, a private room in a nursing home runs, on average, \$155,000 per year in New Jersey compared to \$77,000 per year in Louisiana.¹² And the geographic differences in cost apply regardless of the type of care. Therefore, it is critical to ensure your financial plan incorporates the potential costs of the most expensive state in which you may receive this type of care.

Median Hourly Cost of a Home Health Aide by State—Projected for 2023



Source: Genworth Cost of Care Survey, 2021

*Based on 2023 projected amounts, which are calculated using Genworth 2021 data and assume a 3% annual inflation increase

Strategies for saving for long-term care

Paying for long-term care may require tapping multiple savings sources—perhaps all of them. Even still, you may need to supplement your own savings through other means, including home equity lines of credit or reverse mortgages, benefits from long-term care insurance (if purchased), and/or support from family members. Regardless of how you anticipate financing long-term care in the future, you should start saving now. Your financial adviser can help you develop a personalized plan that fits your individual needs, circumstances and preferences.

Maximize health savings accounts (HSAs)

HSAs are triple tax-advantaged savings vehicles. You contribute pretax, the investment grows tax-deferred, and you can withdraw tax-free for qualified expenses, including long-term care, subject to limitations. To maximize these tax benefits, you can forego withdrawing funds for current medical expenses and instead allocate the investment to grow long-term.

However, only Americans enrolled in high-deductible health insurance plans qualify to contribute to an HSA, and there are annual contribution limits of \$3,850 for individuals and \$7,750 for families in 2023 and \$4,150 for individuals and \$8,300 for families in 2024.¹³ Thus, an HSA is typically insufficient as the sole vehicle to save for long-term care. For more detailed information about HSAs, see our **“Health Savings Accounts 101”** briefing.

¹² “Cost of Care Survey,” Genworth, June 2, 2022.

¹³ “HSA Contribution Limits and Eligibility Rules,” Fidelity.com, July 10, 2023.

The role of public programs

Understandably, there can be confusion about what types of assistance for long-term care may be available from public programs. Here is a high-level summary.

Medicare

Medicare can subsidize your health insurance costs after the age of 65, but it does not cover long-term assistance with daily activities such as eating and bathing. Medicare only covers long-term care if you require skilled medical services or rehabilitative care. The maximum nursing home stay covered by Medicare is 100 days, but the average stay is only 22 days.¹⁴

Social Security

Social Security can be one source of income to help finance long-term care, but it is insufficient on its own to cover the high costs. Delaying Social Security benefits from the minimum age of 62 to the maximum age of 70 progressively increases this income stream later in life, but it requires you to rely on personal savings in the interim.

Medicaid

While Medicaid can cover a large share of long-term care costs, it is only available to people who meet certain eligibility requirements, such as having income and assets below a certain limit or a chronic disability.

Gender

Gender is an important consideration when planning for long-term care for two reasons. First, women have longer life expectancies than men, on average, and therefore need long-term care for greater periods of time. Statistically, women require long-term care for an average of 3.7 years, in contrast to men, who require 2.2 years on average.¹⁵

Second, approximately two-thirds of caregivers are women.¹⁶ As the family members who most often provide care on an unpaid basis, women typically experience a greater financial burden while providing care. Saving for long-term care costs can reduce this burden for all members of your family.

Almost **19%** of women caring for a family member with Alzheimer's quit their jobs to do so, either because of the time required or due to other burdens of being a caregiver.¹⁷



¹⁴ "Who Pays for Long-Term Care?," Administration for Community Living, May 10, 2022.

¹⁵ Tara O'Neill Hayes and Sara Kurtovic, "The Ballooning Costs of Long-Term Care," American Action Forum, February 18, 2020.

¹⁶ "Who Will Provide Your Care?," Administration for Community Living, February 18, 2020.

¹⁷ Eddie Mowen Jr., "Alzheimer's Disproportionately Impacts Women," The Register-Herald, May 9, 2023.

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