A Family Guide to
Funding Senior Care & Housing

According to the U.S. Department of Health and Human Services, an estimated 70 percent of people over age 65 will require some form of long-term care services during their lives.

Because it's impossible to predict whether you or your loved one will be one of the 30 percent who won't, it's crucial to plan for "what if."

While many families don't even consider senior living, automatically assuming they can't afford it; care at home has its costs as well, both in dollars and in emotional toll. Don't let this leave you discouraged, you do have options – more than you may think actually.

In this guide we'll help you explore the funding sources available, understand how to build a budget and compare home care versus senior living so you can make an informed decision for your long-term care needs.

SECTION ONE

Funding Sources for Senior Care and Housing

Long-term care may be more affordable than you think when you consider all the funding sources that may be available to you.

Funds for Long-Term Care

YOUR HOME
Consider a sale, renting it or a reverse mortgage.

YOUR SAVINGS
Have you put away rainy day funds in a bank account? Do you have stocks, bonds or annuities?

YOUR INCOME
Do you receive Social Security or a pension? Are you paid dividends from stocks?

OTHER OPTIONS
Veterans may qualify for the Aid & Attendance benefit. Life insurance conversions and/or long-term care insurance may also be options.

Reverse Mortgages

A reverse mortgage is a type of home equity loan for homeowners 62 or older. It may make sense for people who don't plan to move, who can still keep up with the cost of home maintenance, property taxes and insurance and those who want to access the equity in their home to supplement income in retirement.

How it works:

- Seniors age 62 or older who own homes outright or have small mortgages may be eligible.
- Lenders will run a credit check, evaluate your income, assets and monthly living expenses and you must also be current on property taxes, and hazard premiums.
- To qualify, homes must meet FHA property standards and flood requirements.

What to expect:

- The lender makes payments to the borrower based on a percentage of accumulated home equity.
- The money can be used to supplement income, pay health care expenses, retire debt or finance home improvements.
- The loan needs to be repaid when the borrower dies, sells the home or permanently moves out.

Veterans Benefits

Wartime veterans or a surviving spouse with limited income may be eligible to receive a non-service connected pension to assist in paying for long-term care such as assisted living, home health care, adult day care or skilled nursing.

Known as Aid & Attendance (A&A), this increased monthly pension amount may be added to your monthly pension if you meet one of the following conditions:

- You require the aid of another person in order to perform personal functions required in everyday living, such as bathing, feeding, dressing, using the toilet, adjusting prosthetic devices or protecting yourself from the hazards of your daily environment.
- You are bedridden, in that your disability or disabilities requires that you remain in bed apart from any prescribed course of convalescence or treatment.
- You are a patient in a nursing home due to mental or physical incapacity.
- Your eyesight is limited to a corrected 5/200 visual acuity or less in both eyes; or concentric contraction of the visual field to 5 degrees or less.

The Housebound benefit is an increased monthly pension amount that may be added to your monthly pension when you are substantially confined to your immediate premises because of permanent disability.

Recent Changes to Aid & Attendance in 2018 include:

- If a veteran purchases an annuity or transfers an asset and then applies for the benefit, the VA will add any transfer made after October 17, 2018, back to their assets when determining if total assets are less than $127,061.
- As of October 18, 2018, if veterans and their surviving spouses are living in independent or assisted living or a nursing home and they have a primary home they wish to rent, the VA will not count the house as an investment, but will keep it excluded as their primary home. While the rental income will count as income, the exclusion of the home as an asset will allow families to maximize the earning potential of the home to pay for care while retaining the home for later sale or inheritance by the veteran's heirs.

How to apply:

You may apply for Aid and Attendance or Housebound benefits by writing to the Pension Management Center (PMC) that serves your state. You may also visit your local regional benefit office to file your request; visit https://www.va.gov/find-locations/ to locate.

Long-Term Care Insurance

Long-term care (LTC) insurance helps to pay for the cost of home care, adult day care, assisted living, memory care, skilled nursing, respite care and hospice by covering services typically not covered by health insurance, Medicare or Medicaid.

Policies often even cover some homemaker services, such as meal preparation or housekeeping as long as it is in conjunction with the personal care services you receive.

How it works:

Many LTC policies begin to pay benefits once an assessment has determined you need help with two or more Activities of Daily Living or cognitive impairments; otherwise known as a benefit trigger. The insurance company will approve a Plan of Care. Then you will have an elimination period, typically 30, 60 or 90 days after the benefit trigger occurs before you start receiving payment for service. During this time you must cover the cost of services you receive.

What to expect:

Once the benefits begin many policies pay your costs up to a pre-set daily limit until your lifetime maximum is reached.

Life Insurance Conversion

Many people don't realize that converting a life insurance policy into a Long-Term Care Benefit Plan is an option. Yet, anyone with an in-force life insurance policy can transform it into a pre-funded financial account that disburses a monthly benefit to help pay for long-term care needs such as home care, assisted living, skilled nursing and hospice. Unlike life insurance, this account is a Medicaid qualified asset.

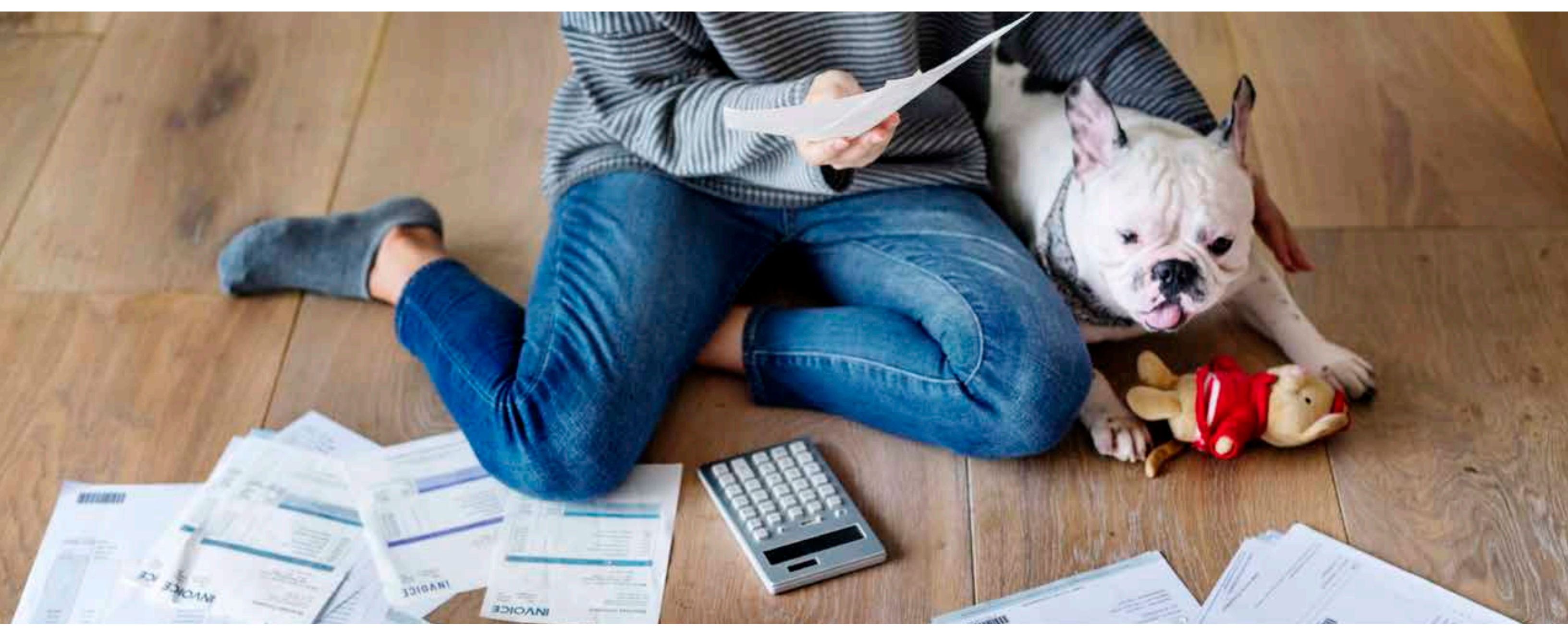
How it works:

The conversion process transfers ownership of a life insurance policy from the original holder, to an entity that acts as the benefits administrator. Because the original owner no longer holds the policy, it won't count against them in the Medicaid spend down process.

The benefits administrator assumes all responsibility for paying the monthly premiums on the policy to the insurance company, and agrees to pay the previous policy holder a series of monthly payments based on the value of their policy. These payments can then be used to pay for your long-term care.

The Pros

- You can convert any type of life insurance plan: whole, term or universal.
- There are no monthly premium payments; monthly payout amounts are adjustable based on how many months you want to receive payments.
- Monthly payouts don't count against qualifying for Medicaid coverage; a long-term care benefit plan is recognized by Medicaid as an acceptable spend-down during the five year look-back period.
- A long-term care benefit plan is comprised of "private pay" dollars, which means that it can be used to pay for any kind of care—home care, assisted living, skilled nursing and hospice.
- A special fund is set aside for future funeral expenses.



The Cons

- You must have an immediate need for some form of acceptable long-term care because monthly payments are made directly to a long-term care provider, not the previous holder of the life insurance policy.
- Individuals with smaller policies ($10,000 or less) may be better off holding on to their plan, or giving it up it in exchange for the cash surrender value. Or, those who have a life insurance policy with a large cash value built in (i.e. a $100,000 policy with a $90,000 cash value) may better off taking that cash value.

What to expect:

There are no application fees or obligations to apply and the typical enrollment time is 30-45 days. Once a policy is converted by the owner, the Long-Term Care Benefit payments begin immediately and the enrollee is relieved of any responsibility to pay any more premiums.

Sources: Bankrate.com, Administration on Aging, U.S. Department of Veterans Affairs

Common Misperceptions

Many people incorrectly assume that Medicare, Medicaid and/or their health insurance will cover their long-term care. Here are the facts.

Medicare only pays for long-term care if you require skilled services or rehabilitative care:

- In a nursing home for a maximum of 100 days, however, the average Medicare covered stay is much shorter (22 days).
- At home if you are also receiving skilled home health or other skilled in-home services. Generally, long-term care services are provided only for a short period of time.

It does not pay for non-skilled assistance with Activities of Daily Living (ADL), which make up the majority of long-term care services.

Medicaid does pay for the largest share of long-term care services, but to qualify, your income must be below a certain level and you must meet minimum state eligibility requirements based on the amount of assistance you need with ADL.

Health Insurance through employers or private health insurance typically cover only the same kinds of limited services as Medicare. If they do cover long-term care, it is typically only for skilled, short-term, medically necessary care.

Funding Tip

Some states offer Medicaid waiver programs and respite grants. And some communities reserve a percentage of apartments for lower income older adults, so it's always good to ask.

SECTION TWO

The Cost of Long-Term Care

Over the past 15 years, the cost of long-term care services has steadily risen across the United States, according to the Genworth 2018 Cost of Care Survey.

Average monthly costs for long-term care:

Homemaker services - Help with household tasks that cannot be managed alone
- $4,004

Home health aide services - "Hands-on" personal care, but not medical care
- $4,195

Adult day health care - Social and support services in a community-based, protective setting
- $1,560

Assisted living - A residential arrangement providing personal care and health services
- Private, one-bedroom: $4,000

Nursing home care - Often a higher level of supervision and care than in assisted living with onsite nursing 24/7; also known as skilled care
- Semi-private room: $7,441
- Private room: $8,365

If you're like most people, you probably aren't sure whether you can afford these costs. Luckily there are funding options that may be able to help.

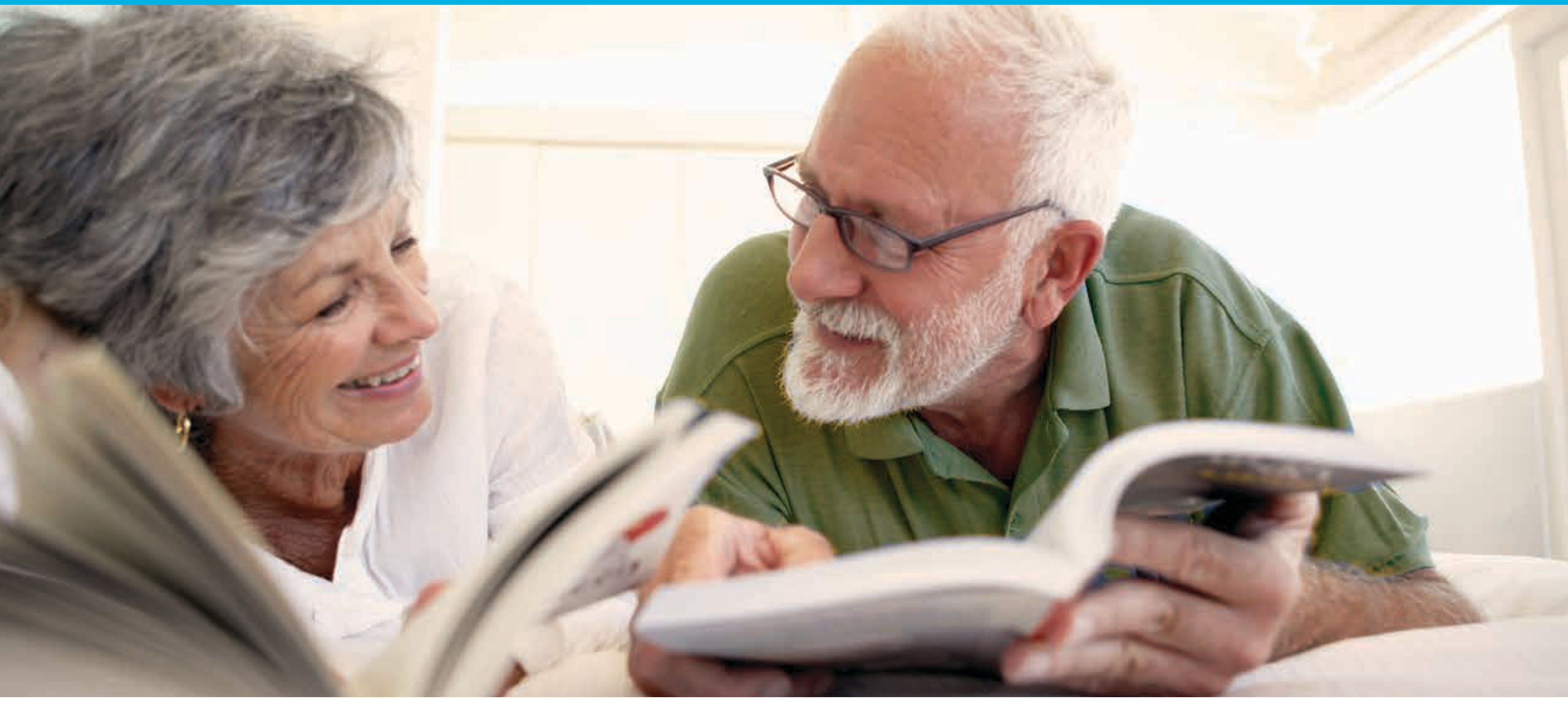
The Trends

Genworth states that from 2004 to 2018, the cost for senior living and in-home care services has risen on average from 1.5% – 3.8% per year. At this rate, some care costs are outpacing the U.S. inflation rate of 2.1% by almost double.

Why are Home Care Costs Increasing?

Care provided by home health aides is costlier than ever. Genworth research points to these factors for continuing increases:

- Low unemployment
- Wage pressures
- Regulatory changes
- Labor shortages
- Sicker patients
- Employee retention challenges



SECTION THREE

How to Prepare Financially

While every family's circumstances are different, there are three general steps you should follow in budgeting for long-term care.

First, gather and organize financial documents for yourself or your loved one such as:

- Bank and brokerage account information
- Deeds and mortgage papers
- Insurance policies
- Monthly or outstanding bills
- Pension and other retirement benefit s
- Social Security payment information
- Stock and bond certificates

Second, get the family together to discuss putting a financial plan in place. Talk about your wishes, needs and goals as well as how to handle ongoing financial duties such as paying bills, managing benefit claims, making investment decisions and preparing tax returns.

Third, consider consulting a financial advisor and/or estate planning attorney who specializes in elder care and/or long-term care planning to discuss:

- Insurance options
- Pension, retirement benefits and personal property that may be potential income
- Programs in which you are eligible
- Potential tax deductions
- Analyzing investment portfolio with your loved one's long-term needs in mind

SECTION FOUR

Comparing the Cost of Home versus Senior Living

At first glance it may seem that staying at home costs less, but make sure you're comparing the *total cost of living at home,* not simply your mortgage and rent costs as this has a large impact on affordability. At home, you also pay for food, utilities, home maintenance, property taxes, insurance, entertainment and healthcare. Factor those costs into your current monthly expenses for a more apples to apples comparison with potential senior living costs.

Cost Comparison Worksheet

MONTHLY EXPENSES	COSTS AT HOME	SENIOR LIVING COSTS
Mortgage or rent		
Caregiving		N/A
Property tax and insurance		N/A
Home maintenance and repairs		included
Lawn care and yard maintenance		included
Housekeeping		included
Utilities *(electricity, gas, water, trash removal, etc.)*		included
24-hour security		included
Transportation *(insurance, gas, registration, repairs)*		included
Dining		included
Social and Entertainment		included
Exercise and wellness		included
24-hour emergency alert system		included
Total Monthly Expenses		

But what's the value?

Even if your comparison shows a senior living community may cost more, make sure to keep the positive impact on quality of life in the equation. And remember, there's no price tag on peace of mind.

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