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The Basics of Long-Term Care Insurance

One of the most common concerns of people approaching retirement is what will happen if their health changes later in life. As life expectancy continues to rise, many people are spending more years in retirement, which increases the chances of needing some level of assistance. This is where long-term care insurance may play an important role.

Long-term care insurance is designed to help cover the cost of services that are generally not covered by Medicare or traditional health insurance. Long-term care benefits can help cover the costs of extended care. This can include activities of daily living: bathing, dressing, eating, and other personal care needs. Care can be provided in a nursing home, assisted living facility, adult day care, or in some cases, at home.

Many people are surprised to learn that Medicare generally does not cover most ongoing custodial care. Because of this, extended care can have a great impact to your goals, if not properly planned for. The cost of long-term care services can be substantial and having coverage may help preserve savings and other assets that otherwise may be used to pay for care.

Policies can vary significantly, and it is important to understand what your needs and expectations are. Generally, policyholders choose the daily/monthly amount of benefit, how long the benefit will last (benefit period), and how long they are willing to wait before the benefits begin (elimination period). Policies may offer additional features: inflation protection, waiver of premiums, and return of premiums.

Typically, Long-term care insurance is easier to obtain and less expensive when purchased at a younger age and in good health. Premiums are based off many factors, such as age, health, amount of coverage, and optional policy features.

While long-term care insurance is not appropriate for everyone, and not the only option, understanding how it works can be an important part of evaluating your plan, achieving your goals, and maximizing your retirement years.