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Retirement with Dignity

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Chances are you or someone you know has been impacted by the emotional and financial consequences of having to care for an adult family member. Over time, as the population ages, most of us can expect to either become caregivers or to need one. Modern medicine is allowing people to live longer and die slower.

There is a growing misconception among a major segment of society that traditional health insurance or Medicare will pay for the costs of long-term care. Over the past few years, the federal government has been sending a clear message that unless an individual meets a poverty-level status, very limited financial assistance will be available. Traditional health insurance plans normally cover only those costs associated with acute care, not costs related to long-term care. Medicare covers less than 15% of the cost and only in certain conditions. The more informed consumer knows better than to rely on health insurance to pay for the costs of extended, chronic, and non-rehabilitative care.

For many active adults, the fear of dying too soon has been replaced by the fear of becoming unable to care for ourselves. The fact that most families are geographically apart makes it harder for seniors to receive the support from family members. And even when family members live in the same area, the demands of career and raising children make most seniors have to rely on home health care and long-term care facilities.

Studies indicate that 60% of people over age 65 will require long-term care at some point in their lives. The cost of long-term care can run from \$36,000 to over \$100,000 per year, depending on where you live. There is a minority of the American population that is wealthy enough to fund their long-term care from their personal savings. The majority, however, would prefer to protect themselves against exhausting their savings or impacting their standard of living and their independence. Many recipients of government assistance today were not poor when their illness started. After depleting their assets the only choice they had left was public assistance.

The purpose of long-term care insurance is to protect your assets and to help you pay for long-term care if and when you need it. It is a smart planning approach for those who want to prepare financially now for a major expense that might come in the future. It allows the insured to retain his or her financial independence. It enables you to protect your savings and other assets for yourself and your heirs.

The business of insurance is to protect against loss or risk. It makes no sense to insure things such as our microwave or lawn mower. If they get damaged, we can get it repaired or buy a new one. On the other hand, when the magnitude of the loss is such that it can have a deep impact on our family, insurance is the most effective way of protecting ourselves. For example, disability income insurance pays when the working adult cannot go to work due to an illness or accident. Life insurance pays benefits when someone dies. Long-term care insurance pays when the insured has a long physical illness, a disability, or a cognitive impairment (such as Alzheimer's disease).

The concept of "saving for retirement" has been ingrained in the minds of most Americans as long as we can remember. Many of us have participated in an employer-sponsored retirement plan or have funded an IRA. A new awareness is now taking hold in the American consciousness. It is the realization that retirement planning is not complete unless we address what could become the largest expense after we retire: the cost of our long-term care. Addressing it now, while we are still able to obtain the proper insurance, will allow us to preserve the dignity that comes from being financially independent.