YOUR GUIDE TO PAYING FOR LONG-TERM CARE:

Senior Care Funding Solutions Every Family Needs to Know

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At least 70% of people over age 65 will require some form of long-term care services and support during their lives. That could mean receiving care at home, in your community or at a senior living residence that provides assisted living or nursing care.

Paying for these expenses can be daunting, especially as the cost of care continues to rise nationwide. Depending on the level of care you need and your location, you could face costs[1] ranging from nearly $45,000 a year to more than $90,000 a year.

Some of the more common ways to pay for such care include self-funding (proceeds from the sale of the home, savings and investments), financial assistance from family and friends, or benefits from Medicare and Medicaid (primarily limited to nursing homes). But there are other, lesser known funding solutions that can help you pay for senior care if and when you need it in the future. These include using veterans benefits, long-term care insurance and even life insurance policies.

Before diving into the options available, it's important to first get the facts about senior care.

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1 https://www.genworth.com/corporate/about-genworth/industry-expertise/cost-of-care.html

How Much Does Senior Care Cost?

Over the past 12 years, the cost of long-term care services has steadily risen, according to the Genworth 2015 Cost of Care Survey.[1]

This includes all types of care, for which average annual costs vary significantly:

- **Homemaker services:** Help with household tasks that cannot be managed alone ($44,616 annually)
- **Home health aide services:** "Hands-on" personal care, but not medical care ($45,760)
- **Assisted living:** A residential arrangement providing personal care and health services ($43,200)
- **Nursing home care:** Often a higher level of supervision and care than that at assisted living communities ($80,300 for a semi-private room, $91,250 for a private room)

If you're like most people, you probably aren't sure whether you will be able to afford these services.

That's why one of the first steps in planning for long-term care is working with a professional to conduct a "Cash Flow Analysis," says Patty Servaes, president of Sudbury, Massachusetts-based The Servaes Consulting Group, LLC, which provides such services, and founder of Elder Resource Benefits Consulting (ERBC).

1 https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/130568_040115_gnw.pdf

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"Often, people will make an emotional decision, when they should be making a decision based on their long-term financial situation," she says. "Getting a Cash Flow Analysis when you're starting to think about senior care can provide real education as to what is coming down the pike and how to prepare for it."

Is Long-Term Care in My Budget?

To find out whether you have — or will have — the resources to pay for long-term care, start by contacting a trusted adviser, such as ERBC or The Servaes Consulting Group, which work in tandem with one another.

ERBC will conduct a free consultation to determine if a Cash Flow Analysis would benefit you and your family. And, should you wish to complete one, you will be referred to The Servaes Consulting Group, which will evaluate your assets, income and medical expenses to draw up a road map of your financial future.

Ultimately, the completed Cash Flow Analysis will show you how long your income and assets will last, and what benefits you may qualify for to help you pay for long-term care. One such benefit is the U.S Department of Veterans Affairs (VA) Aid & Attendance Pension.

3 FUNDING SOLUTIONS FOR LONG-TERM CARE

1. Tap Into Veterans Benefits to Pay for Senior Care

The VA helps veterans and their families cope with financial challenges by providing supplemental income through the Veterans Pension benefit.[1]

The pension starts at a basic level and has additional amounts added for those who meet certain levels of physical need due to age or disability-related illness. However, there is no requirement to have been injured in military service to receive the benefit.

This pension is available to wartime veterans who have at least 90 days of active duty service, with at least one day during a wartime period, and the surviving spouses of veterans who meet certain income and asset criteria.

The Aid & Attendance (A&A) benefit is an increased monthly pension amount that can be added to a veteran's monthly pension if he or she meets certain conditions, which can be found on the VA's website.[2] This added benefit can also be a helpful tool for the veteran's spouse.

ERBC reports that the maximum monthly amount for the A&A pension in 2015 is:
$1,149 per month for a surviving spouse of a veteran,
$1,406 per month if a veteran is well but the spouse is ill,
$1,788 per month for a single veteran, and
$2,120 per month for a married veteran who needs assistance.

1 http://www.benefits.va.gov/pension/vetpen.asp
2 http://www.benefits.va.gov/pension/aid_attendance_housebound.asp

To qualify for the maximum award, you must meet a monthly financial needs test, which takes into account your monthly income from all sources minus your unreimbursed medical expenses, including senior care, as long as you meet certain medical requirements.

If you need assistance with at least two activities of daily living — bathing, toileting, dressing, transferring (moving to and from a bed or a chair), eating and caring for incontinence — you can deduct your entire assisted living fee from your monthly income, along with medical insurance premiums and Medicare.

If the total remainder is $0 or negative, the indication on the monthly test is that you should receive the maximum monthly pension, according to ERBC. If it's a positive number, but less than the maximum monthly pension amount, you may be granted a partial award.

You will also need to meet an asset test, which accounts for all of your assets, excluding your home and car. While assets of more than $80,000 require further analysis by the VA, there is not an $80,000 asset limit — a source of confusion for many veterans and families, who often miss out on years of support when they may be eligible.

"The most surprising thing about the VA benefit is the amount of people who think they won't qualify because their income is too high," Servaes says. "We run into people all the time who say, 'We don't qualify for the benefit,' when in fact our response is, 'You'll qualify at this point in time.' In other words, it's not a 'yes or no' benefit; it's 'if and when.'"

2. Use Long-Term Care Insurance to Fund Senior Living

An estimated 20% to 30% of people moving into middle- to upper-market assisted living communities have a long-term care insurance policy.

However, the likelihood of seniors and their families successfully claiming those benefits is slim, says Wendy Rinehart, co-founder and president of ClaimJockey, a company in Lee's Summit, Mo., that helps families navigate the long-term care insurance claims process.

"Most of the time when a family tries to do this on their own, they're unsuccessful," she says. "They have a low probability of success without professional help. That's the nature of this type of product."

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An all-too-common scenario follows: You get a phone call in the middle of the night saying your mom fell and she's in the hospital. When she's discharged, you're left with juggling caregiving, administering medications, hiring home health workers and coordinating with other family members — not to mention managing your job and your own health issues.

"Add on top of that filing and managing a long-term care insurance policy and it becomes overwhelming," Rinehart says. "There's no uniform coding system and if your loved one has been to a hospital and has a neurologist, primary physician, home health caregiver and other doctors, you might have four to six entities that you've got to contact to try to get information to the insurance company."

Rinehart, a longtime insurance agent, went through the difficult long-term care insurance claims filing process when her brother was diagnosed with cancer at age 54. Though he succumbed to the disease three years later, her knowledge helped ensure he received the benefits he needed.

But Rinehart wondered how the typical family — who wasn't familiar with long-term care insurance — managed, which is why she later founded ClaimJockey.

The company, staffed with insurance and legal experts, has been helping families claim their long-term care insurance benefits for 20 years.

"What we do is take all of the pressure off the family," Rinehart says. "The first thing we do is help the family understand what their long-term care insurance policy covers. Often, we're not talking to the person who bought the policy; we're talking to the adult child who may or may not have been involved when the policy was purchased. So we help them understand whether or not they have a viable claim and how that policy should work."

When Do Benefits Kick In?

Most long-term care insurance policies[1] pay benefits when you have a cognitive impairment or when you need help with two or more of the six activities of daily living.

Additionally, policies will often pay when you need help with "standby" assistance, which could mean, for example, if you need help buttoning a blouse, or help getting into a bathtub but not with bathing, Rinehart says.

"There are also a lot of independent living communities that partner with home care or home health providers to help residents age in place."

However, long-term care providers do not always have the same interpretation of "hands-on" or "standby" assistance, which is part of what ClaimJockey helps straighten out.

When it comes to where you can receive such assistance, the list is fairly broad. Most policies are comprehensive and will cover home care, adult day care, assisted living and nursing care, Rinehart says. Some will even cover care provided at a family member's residence.

"There are also a lot of independent living communities that partner with home care or home health providers to help residents age in place," she says. "In that case, the long-term care insurance policy would pay for the home care portion to allow them to stay in independent living as long as that's the appropriate plan of care."

1 http://longtermcare.gov/costs-how-to-pay/what-is-long-term-care-insurance/when-your-coverage-begins/

3. Convert Your Life Insurance Into a Long-Term Care Funding Vehicle

As much as $500 billion in life insurance policies are in the hands of seniors each year.

But a staggering 88% of all policies, including those held by seniors, are let go when people stop paying premiums, says Chris Orestis, certified senior advisor and CEO of Life Care Funding[1], a company that helps people in need of funds to cover the costs of senior housing and long-term care.

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That means millions of dollars are left on the table by consumers who could still benefit from those policies by using them to pay for long-term care.

They could do so by converting the death benefit of an active life insurance policy — in other words, a policy for which they're still paying premiums — into a Long-Term Care Benefit Plan to cover the costs of skilled nursing home care, assisted living, home health care and hospice.

"This is a way to use an asset that people already own and have already paid for, and instead of throwing it away, turning it into a tax-free vehicle to receive care wherever they want," Orestis says. "This program provides maximum flexibility for

1 http://www.lifecarefunding.com/

them to use it in whatever way they need as long as they're paying for some form of long-term care."

Conversion of a life insurance policy into a Long-Term Care Benefit Plan is not a long-term care insurance policy or a loan, annuity, hybrid policy or an accelerated death benefit. It is actually the private market exchange of a life insurance policy for a pre-paid Long-Term Care Benefit Plan at the time that care needs to be funded, according to Life Care Funding. There are no premium payments and nothing ever needs to be paid back.

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"It's a crisis planning tool; it helps you address an immediate need for long-term care," Orestis says. "Unlike long-term care insurance, which you need to buy in advance, this is a way to take a life insurance policy that you've had for years and turn it into a method to pay for care today."

To qualify, you need to have "an active need for care," Orestis says. Once your policy gets converted, you can combine the Long-Term Care Benefit Plan with the VA benefit and long-term care insurance — as well as cash — to cover the costs of senior care.

While some of these funding solutions have gained popularity in recent years, there's still a lot of confusion among older adults and their families, who are left navigating complex legal terms while trying to manage their own or their loved one's care.