

The Basics of Long-Term Care



*What is Long-Term Care?
Individuals need long-term care when an accident or chronic illness limits their ability to carry out basic tasks of self care. Many conditions—such as severe neurological impairment caused by Alzheimer's, Parkinson's or Huntington's diseases, for example may cause a person to need constant supervision or extended care.*

Due to medical advances, space-age medicine and a better quality of life, Americans are living longer than ever. However, the longer one lives, the greater the likelihood of a catastrophic illness or accident requiring some type of long-term care.

Two major concerns govern the lives of families with a severely ill or injured person in the family:

- The circumstance exacts an emotional toll on the family, and
- The circumstance of an extended need exacts a financial toll on the family.

No financial plan is complete without addressing the likelihood of needing long-term care. When considering your lifetime financial plan you must ask yourself the following questions:

What are the chances I will need Long-Term Care?

As medical advances have extended life expectancies, Americans are at greater risk for needing long term care services within their lifetime.

In fact, you may already know friends or family members who have needed long term care. A sudden illness or injury can happen to any person at any age. The odds of needing care for longer periods of time however increase with age.

Who pays for Long-Term Care?

Many seniors falsely assume that the federal government's Medicare entitlement will cover their long term care costs. That is not so!

Medicare covers a maximum of 100 days in a nursing home, but only if the nursing home stay follows a hospital confinement of at least three days. Furthermore, only 20 days are paid at 100 percent.

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Medicaid will cover nursing home costs only after the patient has “spent down” most of his/her own assets and has limited income.

Should I buy Long-Term Care insurance or should I self-insure?

It depends on your net worth.

You are wise to consider ways to affordably protect your family as well as the savings you’ve worked a lifetime to accumulate. Long-term care insurance can ensure that you receive quality care without burdening your loved ones.

If you have substantial assets, consider self-insuring. Just be sure that you understand the potential cost of extended care. If long term care costs continue to rise as they have in the past, one year in a nursing home may cost as much as \$200,000 by year 2025. Depending on your current age, you may need to set aside as much as \$1 million to pay for four years of care.

Are Long-Term Care premiums tax deductible?

Individual taxpayers who itemize their tax deductions may treat premiums for tax-qualified Long Term Care insurance as a medical expense on their federal tax return. The annual deduction amount is capped based on attained age. Some states also offer deductions or tax credits.

Self-employed individuals may be able to deduct Long Term Care insurance premiums as a business expense.



They may be able to do so in the same way that they deduct health insurance premiums. This may be true for both the individual and his/her spouse. Age-based limits apply.

Hilliard Lyons does not give tax or legal advice. Consult your tax advisor regarding your specific situation.

When should I consider Long-Term Care insurance?

The younger you are, the lower the premium will be. Delaying purchase could put you at higher risk for developing health problems with the following potential consequences:

- It could increase the costs of Long term Care insurance, or
- Cause you to be uninsurable.

Long-term care insurance policies are complex. Let your Hilliard Lyons Financial Consultant help you research and design a long-term care plan that meets your needs.

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