

Paycheck

Plan costs of long-term care

Workers planning for retirement must first determine how much retirement will cost. The obvious starting point for making retirement projections is adding fixed costs, such as condo dues and car payments, to variable costs, such as entertainment and travel.

When you start planning for retirement, you should also decide how you plan to deal with the real possibility of incurring long-term care costs. In general, Americans are not sufficiently prepared for the expenses associated with long-term care, including home care services,

assisted living and nursing home care. Consider these three options as you plan:

Self-insurance. Some upper-income families can afford to self-insure – that is, to cover the cost on their own. Even if you think you are among the small percentage of families who can do so, keep in mind that most medical costs are rising much more quickly than the overall inflation rate.

Long-term care insurance. A long-term care insurance policy transfers a portion of the long-term care costs to an insurance company in exchange for premium payments. Long-term care insurance policies come in many shapes

and sizes and frequently can be designed to cover home care services, assisted living and nursing home care for a short or long period,

depending on the options you choose. Insurance can help protect your family financially from the potentially devastating cost of a long-term disabling medical condition, chronic illness, or cognitive impairment condition, such as Alzheimer's disease.

Medicaid. Medicaid covers some long-term care costs for those who have very few assets. Therefore, while Medicaid offers a safety net for those in need, I don't recommend you plan on Medicaid as your primary option.

Retirement can be a very rewarding time for those who are financially prepared. As you prepare, don't overlook the costs of long-term care.

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