THE DAILY RECORD

Friday, October 2, 2015 | Volume 127 | Number 1 | TheDailyRecord.com

Is long-term care a big risk to retirement?

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Special to The Daily Record

One of the most enlightening things people in their 30s, 40s or 50s can do is to evaluate the strength of their retirement plans. Because even the best-laid retirement plans are subject to life's challenges.

Many Baltimore families have consider retirement challenges like stock market volatility, inflation, taxes and their own longer lifespans. But in my experience, one of the biggest threats to retirement is also one of the least addressed—that's the cost of long-term care.

Long-term care refers to services provided to chronically ill people provided either at home or in an assisted care or nursing home facility. These services are generally needed for an extended period of time and may not "cure" or "heal" the individual receiving them. Long-term care services help with routine activities including, eating, bathing, dressing or more complicated tasks like preparing meals, managing money, taking medication, shopping and more.

In 2015, the Department of Health and Human Services (DHHS) reported that 70 percent of Americans reaching age 65 will need help with everyday living activities at some point in their lives, either because of a debilitating injury or a chronic illness, such as Alzheimer's, stroke, heart attack or diabetes.

Yet few have a plan in place to address this possibility. In fact, the DHHS found that less than one-third of Americans age 50 and older have begun saving specifically for long-term care.

Like many, you may believe that Medicare or Medicaid will cover the entire cost if long-term services are needed. Not so.

Medicare provides only limited coverage and only in specific circumstances. Meanwhile, Medicaid pays for many long-term care services, but only for those who meet the eligibility criteria with low income and few assets. Without proper planning, you could easily drain your retirement nest egg and run through a lifetime of savings, even if you're "lucky" enough to only need long-term care services for a relatively short period of time.

More than five in ten Americans (53 percent) in a April 2014 Gallup poll said that they feel stressed that they may not have the resources to pay medical costs due to a serious illness or accident.

One of my clients fit into that category. She's a single retired C-suite executive from a large company in the Baltimore –Washington metro area. She did a great job of saving, fully-funding her 401(k) while funding an outside investment account.

We evaluated her retirement plan against potential risks, and it was clear that a long-term care event would be very detrimental to her quality of life. One of the typical places people fall back on for caregiving during a long-term care event is a spouse – and she didn't have one. So she needed to plan accordingly.

Planning now for the possibility of long-term care can give time to explore the options for preserving your quality of life and your assets. You can make health care decisions to ensure your values and wishes are honored if you can't make decision about your medical care for yourself. You can make legal decisions about how your affairs should be handled if you are unable to handle them yourself. And you can make financial decisions to help ensure your assets are used to provide for you and your loved ones in the way you expect.

Most people envision themselves living a long, active life in retirement. The reality is, the longer you live, the greater the chance that you may require long-term care. A financial professional can help you see the big picture. This includes prioritizing your goals, mitigating the challenges to retirement and understanding how the potential need for long-term care could impact your assets, your family and your future.

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