Am I Prepared for Long-Term-Care Expenses?

In general, Americans are not sufficiently prepared to pay for long-term care. Many of them go through their lives simply hoping that they won't ever need it. Unfortunately, in the event that you or a loved one does need long-term care, hope won't be enough to protect you from potential financial ruin.

Also, the odds that you will need some kind of long-term care increase as you get older.

Self-Insurance as an Option
To self-insure — that is, to cover the cost yourself — you must have sufficient income to pay the rising costs of long-term care. Keep in mind that even if you have sufficient resources to afford long-term care now, you may not be able to handle rising future costs without drastically altering your lifestyle.

The Medicaid Option
Medicaid is a joint federal and state program that covers medical bills for the needy. If you qualify, it may help pay for your long-term-care costs. Unfortunately, Medicaid is basically welfare. In order to qualify, you generally have to have few assets or will need to spend down your assets.

State law determines the allowable income and resource limits. If you have even one dollar of income or assets in excess of these limits, you may not be eligible for Medicaid.

To receive Medicaid assistance, you may have to transfer your assets to meet those limits. This can be tricky, however, because there are tough laws designed to discourage asset transfers for the purpose of qualifying for Medicaid. If you have engaged in any "Medicaid planning," consult an advisor to discuss any new Medicaid rules.

Long-Term-Care Insurance
A long-term-care insurance policy may enable you to transfer a portion of the economic liability of long-term care to an insurance company in exchange for the regular premiums.

Long-term-care insurance may be used to help pay for skilled care, intermediate care, and custodial care. Most policies pay for nursing-home care, and comprehensive policies may also cover home care services and assisted living. Insurance can help protect your family

financially from the potentially devastating cost of a long-term disabling medical condition, chronic illness, or cognitive impairment.

A complete statement of coverage, including exclusions, exceptions, and limitations is found only in the policy.

Long-Term-Care Riders on Life Insurance

A number of insurance companies have added long-term-care riders to their life insurance contracts. For an additional fee, these riders will provide a benefit — usually a percentage of the face value — to help cover the cost of long-term care. This may be an option for you.

The information in this article is not intended to be tax or legal advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional advisor.

This material was written and prepared by Emerald. © 2010 Emerald