

Love & Money:

Thinking About Long-Term Care . . . Now

By JEFF D. OPDYKE

With apologies to the Beatles, my wife, Amy, and I have been asking ourselves a question recently: Will you still need me, will you still feed me, when I'm 84?

We both expect to be there for each other. But what if we can't be? What if one is gone, or neither can care for the other? It's not the happiest thought for a Sunday, but an important one. We all get old. And the daily activities we take for granted in our youth are the luxuries we mourn in our twilight. As I've written before, one of our goals for 2006 was to explore long-term-care insurance. We've finally completed that. The process took longer than anticipated, largely because long-term-care isn't the easiest insurance to understand. But buying it also isn't the easiest decision to make when you're 41 years old. Maybe it's smarter to invest our money and build a larger nest egg for our old age. And what happens if one day we can't afford the policy and have to drop it? We would have wasted all those dollars on premium payments.

To dispense with the suspense, Amy and I bought a policy for each of us.

We did so because we recognize life is increasingly long, and statistically there's a good chance either or both of us will require some sort of care in our later years. And even though we're relatively young for long-term-care buyers, we want to be certain today that someone will still feed us when we're old.

To be clear, not everyone needs this insurance. Many people will ultimately qualify for Medicaid; others have more than enough money for their old age and are, in effect, self-insured.

Based on our current nest egg and saving rate, Amy and I will likely fall somewhere in the middle. That makes us perfect candidates for a long-term-care policy. We will be above the Medicaid cap, yet an extended need for long-term care could consume so much of our savings that it would be difficult to afford the comforts we want in our later years and impossible to leave anything to our kids. In the event we need to draw on it, a long-term-care policy would make life markedly less stressful for the spouse who must handle the

costs of care or live on what remains of our savings.

But it has taken a lot of tortured thinking—and some disagreement—to get to this point.

Amy has worked in health care her entire career, and routinely sees families struggle with end-of-life financial issues. As I wrote recently, she's now watching her family and her 94-year-old grandfather deal with this. She looks at our lives and figures the need for long-term care is not an "if" but a "when," so she has been eager from the get-go to buy these policies.

But I've struggled for months with this. I honestly didn't want long-term-care insurance. It's relatively expensive, costing us about \$2,200 a year combined. That's money we certainly have better uses for—such as saving for our kids' education, fattening our nest egg, or even a vacation.

The more we talked about it, though, the more it made sense. In my state, Louisiana, the average daily rate for long-term-care services is roughly \$110—about \$40,000 a year—according to notaburden.com. (This is a MassMutual Web site for insurance professionals, not consumers, but it's a good place to gauge individual state costs.) With the way health-care costs are rising, by the time we're 84, we're talking about an obscene amount of money. Our nest egg might be able to cover those costs, but it could leave a surviving spouse hard-pressed to afford much of a life.

For me, though, this is the most sobering question: What happens if the money runs out . . . and we're both still breathing?

A lot of people will argue it's stupid to buy long-term-care coverage at our age. They'd argue we have so many years ahead of us before we'll need it—years in which we could be setting aside money that would grow into a much bigger nest egg.

They might be right. But insurance is an emotional buy—you're buying peace of mind—and here are the facts that shaped our emotions:

- At least half of people over 85 will require help with activities of daily living.

- The costs of long-term care are huge and growing faster than overall inflation. Nursing homes averaged \$75,000 a year in 2006; assisted-living facilities, \$35,600; in-home care, \$19 an hour. Even if those costs

rise a mere 3% annually, you're talking nearly a quarter-million dollars a year for care in 40 years.

- Medicare covers very little long-term-care needs; Medicaid does, but you generally must impoverish yourself—not my idea of a retirement to relish.

- Finally, long-term-care insurance is, generally speaking, a pass-fail policy. Pre-existing conditions pretty much make it impossible to get. So while we could wait, we risk ailments arising that prevent us from obtaining coverage later.

Arguably, I'm overly conservative. Still, in the past year I've come to think of long-term-care insurance as possibly one of the smartest buys you can make when you're young. You lock in substantial coverage for future expenses that are statistically likely to arise, and you preserve your nest egg for other needs or wants.

The policies Amy and I have provide \$125 a day in benefits for an unlimited number of years, and those benefits compound at 5% annually to help keep pace with some of the inflation that will occur. Over the next 35 to 50 years, we'll spend between \$77,000 and \$110,000 for policies likely to provide many times that amount in coverage. Yes, we risk never needing the policies, meaning we will have spent all that money for nothing. But that's what insurance is: Our house may never burn down, but that doesn't mean we don't spend money on a homeowner's policy.

To keep our premiums relatively affordable, we opted for a long elimination period, the equivalent of a high deductible. Basically, we have to pay for the entire first year of care; most policies kick in after 30 to 90 days. That saved us more than a thousand dollars a year in premiums. Our rationale: These policies are for catastrophic care. A nest egg should, in part, cover some of the ailments of aging. Long-term-care insurance should kick in when costs threaten to spiral beyond your means.

All told, we keep our premiums down, we maximize our coverage . . . and we're guaranteed that someone will still feed us when we're 84.

Jeff Opdyke covers personal finance for The Wall Street Journal.