

Key Wealth Institute

Long-Term Care Insurance: Your Guide on What to Know and Ask

No one likes to think about not being able to take care of themselves, but — like it or not — it's a very real risk. According to the Administration on Aging of the U.S. Department of Health and Human Services, a person turning 65 today has an almost 70% chance of needing some type of long-term care service for things such as cooking, bathing, and remembering to take medicine.¹

Comprehensive and personalized planning is key to any situation and involves an understanding of your risk. We will draw on the expertise of our fully licensed Wealth Protection Strategist Team to conduct a complimentary review of your policies, identifying your risk management goals and objectives. We will then collaborate on the implementation of a plan to help you meet those goals.

One in 5 of today's 65-year-olds will need long-term care support for longer than five years.¹

Based upon median costs for long-term care in 2024, a private room in a nursing home can incur projected costs of more than \$600,000 over five years.²

The high cost of long-term care

The cost of long-term care is staggering. And the potential for costs to reach levels that could adversely impact even well-off households is very real.

Annual National Median Costs for Long-Term Care 2024²

Private room in a nursing home	\$127,750
Semiprivate room in a nursing home	\$111,325
Home health aide	\$77,792
Assisted-living facility	\$70,800



In fact, results from the Associated Press–NORC Center for Public Affairs Research 2017 Long-Term Care Survey reveal that older Americans have not done much planning for their current or future needs regarding ongoing assistance. Just 1 in 10 people surveyed said that they have done a significant amount of planning.³

The survey also found that Americans are unsure about how they might pay for any needed care. Most Americans age 40 and older say they expect to rely heavily on Medicare to pay for ongoing living assistance, with 57% of that group saying they will rely on Medicare quite a bit or completely.⁴

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While Medicare will help pay for a short stay in a skilled nursing facility if you meet certain conditions, it does not cover many expenses associated with long-term care. Most long-term care services in nursing homes and assisted-living facilities, or from home health care aides, won't qualify. Medicaid pays for long-term care services, but you must meet certain requirements, including having income and assets that do not exceed the levels specified in your state.

Funding long-term care can be difficult, placing stress even on well-thought-out financial plans. The most common approaches for paying for long-term care are:



Pulling resources from investments or savings



Purchasing long-term-care insurance



Selling personal real estate, business assets or other notable high-value assets



Spending down accumulated wealth until Medicaid qualifications are reached



REMEMBER: You may still have a spouse to support as well. Factoring their monthly expenses in addition to long-term care expenses is critical for contingency planning. It's important to know where resources will be allocated in the event of a long-term care need — and to always have a plan.

Types of long-term care insurance policies

Traditional long-term care insurance

Long-term care insurance is not traditional health insurance. Instead, it is designed to pay for a range of long-term senior care services as well as any personal care support you may require. Care may be provided at home or in a senior care facility, such as an assisted living community or skilled nursing home.

These insurance policies reimburse the beneficiary for the cost of skilled nursing care, therapy, and assistance with activities of daily living (ADLs), which include:

- Feeding
- Bathing
- Dressing and grooming
- Using the toilet
- Continence management
- Transferring (getting in and out of bed or a chair)

Benefits payments under long-term care policies generally begin following either a waiting or elimination period and when the beneficiary meets the conditions required. As a rule, the trigger for benefits payments is defined in terms of ADLs, and most policies pay when the beneficiary requires help with two or more of these functions.

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Hybrid life and long-term care insurance policies

In addition to stand-alone long-term care policies, hybrid policies that combine life insurance and long-term care benefits are available. The Pension Protection Act allows a 1035 exchange of an existing annuity or life insurance contract for a new one that includes tax-advantaged long-term care benefits. The exchange must be made according to specific Internal Revenue Code and IRS regulations. In some cases, riders can also be added to existing life insurance policies to pay benefits for long-term care.

In addition, benefits paid for long-term care costs can subtract or reduce an overall death benefit that would be paid to heirs. Benefits levels within coverage can often depend on other factors such as age or the level of the initial investment into the policy rider. A thorough policy review can dictate whether a rider opportunity might be available and assess beneficiaries and potential benefits based upon your wishes and potential life event scenarios.

Advantages of long-term care insurance

You may be wondering whether you should take out a long-term care insurance policy or self-fund, or pay for the expenses of long-term care through assets and other financial resources. By self-funding, you save costs by not having to pay insurance premiums for something you hope you will never need. However, long-term care insurance has these important advantages over self-funding:



Reducing stress on your family

No one wants to be a burden on family members or put them under emotional, physical, and financial stress if care needs arise in the future. Having a long-term care policy in place gives you the peace of mind of knowing you've taken steps to ease the strain on your family.



Enhancing benefits

Long-term care policies may provide you with attractive options, including remaining in your home with access to professional care. Policy benefits may be designed to be offered at a higher level than those reachable via self-funding, with control over the location, type, and quality of care received.



Providing liquidity

Some families may have the bulk of their assets in their business or assets that are difficult to sell. By providing resources to pay for care, long-term care insurance protects the family from financial stress.

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Plan today to protect your family tomorrow

Having an open dialogue with your Wealth Protection Strategist, your family, and potential caretakers about your long-term care wishes is a critical piece of any well-rounded financial plan. Annual insurance policy reviews with your advisor and a Wealth Protection Strategist might present more flexibility within your plan — they can also improve overall risk management based upon recent life events or changes.

By developing a plan today and revisiting policies regularly, you can protect your family from the financial impact of paying for long-term care and allow yourself to make important decisions about care while you are still able.

For more information, please contact your advisor.

The Key Wealth Institute is a team of highly experienced professionals representing various disciplines within wealth management who are dedicated to delivering timely insights and practical advice. From strategies designed to better manage your wealth, to guidance to help you better understand the world impacting your wealth, Key Wealth Institute provides proactive insights needed to navigate your financial journey.



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¹Department of Health and Human Services. "How Much Care Will You Need?" Last modified on 02/18/2020.

<https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>

²<https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

³The Long-Term Care Poll — The Associated Press—NORC Center for Public Affairs Research. "Long-Term Care in America: American's Outlook and Planning for Future Care." Accessed: June 16, 2025. <https://www.longtermcarepoll.org/wp-content/uploads/2018/04/AP-NORC-Long-Term-Care-Poll-2017.pdf>

⁴The Long-Term Care Poll — The Associated Press—NORC Center for Public Affairs Research. "Long-Term Care in America: Views on Who Should Bear the Responsibilities and Costs of Care." Accessed: June 16, 2025. www.longtermcarepoll.org/project/long-term-care-in-america-views-on-who-should-bear-the-responsibilities-and-costs-of-care/

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