

Financial FITNESS



Can You Afford To Live To 100?

By Tom Rauchegger, Co-Founder of Cramer & Rauchegger, Inc.

My wife's grandmother just turned 98 this past June, currently resides in an assisted living facility, is doing quite well and never misses a meal. Living into your 80's, 90's or even to 100 is becoming more and more prevalent today and can have a significant impact on your retirement plan and savings. At least 70% of people over the age of 65 will require some form of long-term care services and support during their lives, and the costs can be astounding. In 2015, the median annual cost for a

semi-private room at a nursing home was over \$80,000.00. The annual cost for an assisted living facility today is \$43,000.00 while full time home healthcare runs approximately \$40,000.00.

Because we are living longer you may want to consider the different strategies to protect you and your loved ones against a long-term care need or catastrophe.

Self-Insure: You can rely on your personal savings to cover the costs. At the current long-term care rates and increasing costs for care you better save diligently. Some people have reliable income in retirement, which includes a pension and social security that together will go a long way towards paying for the cost of long-term care. Others have designated a "bucket" of savings designated for LTC protection.

Traditional Long-Term Care Insurance: The concept of insurance is transferring risk to another party. Much like your home owners insurance long-term care insurance is something you pay for and hope to never use. The problem with traditional long-term care insurance is the cost. The premiums rise with age so the policies are less expensive when you are younger. The premiums are also not static so the LTC policies incur rate increases during the life of the policy.

Asset Based Long-Term Care Insurance: This insurance generally comes in two forms: Life Insurance with long-term care benefits and annuities with long-term care benefits. Existing savings are used to fund the life insurance or annuities. The policy will pay for qualifying long-term care expenses when incurred. If long-term care is not needed or if the policyholder dies, the assets are transferred to the heirs (tax free in the case of life insurance). This is what we often refer to as the "don't use, don't lose" long-term care insurance strategy.

Rely on the Government: Medicare will pay for a short stay in a skilled nursing facility, for some hospice care and short term



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Tom Rauchegger (left) & Scott Cramer

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rehabilitation. Medicaid is a joint federal and state insurance program that helps the low income pay for some or all of their health care bills. Once you spend down your assets to less than \$2,000.00 Medicaid will take over the cost of long-term care. Medicaid has rules limiting who is eligible (based on assets and income).

Statistically not everyone will need care at home or at a long-term care facility, but those that will need care can be assured that it will be expensive and will not get cheaper in the future.

For more information please feel free to contact us at Cramer & Rauegger. You can reach us by phone at 407-645-4433; e-mail at info@cramerandrauegger.com or visit our company website at www.cramerandrauegger.com. Cramer & Rauegger is located in Maitland.

Disclaimer:

Founded by Orlando natives Scott Cramer and Tom Rauegger, Cramer and Rauegger Inc. is an independent advisory firm that specializes in retirement management, estate planning and wealth management for high net worth clients who are close to or currently in retirement.

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