

Make sure your plan for retirement covers all the bases

Covering chronic illness care

WHITE PAPER

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Wise Financial Thinking for Life®

Summary

This paper reviews some of the reasons to use life insurance and annuities to help protect your savings, your loved ones and yourself in the event of a health issue that may result in the need for care. Chronic illness is a growing concern for America's senior citizens, and this paper focuses on what you should know about preparing for the future.

Learn about some the costs of care, Medicare and Medicaid coverage regarding care, the possibility of needing care and becoming a caregiver, and what you can do now so you can feel confident about the years ahead.



LIFE INSURANCE COMPANY

WHY PLAN FOR CHANGES IN HEALTH?

One of the financial challenges to consider when planning for retirement is the possibility of facing an unexpected health event in the future. According to the Institute on Aging, chronic illness is a major health issue of older adults, and the problem is growing as medicine continues to evolve.

While death rates for chronic diseases, such as heart disease and stroke, have declined by more than 50% over the past few decades, individuals are living longer with these conditions.¹



Chronic illness is the leading cause of death and disability in the United States.²

What is a chronic illness?

Typically, these are incurable conditions that last for three months or longer.³ Individuals who develop a chronic disease may require ongoing medical treatment to manage symptoms and non-medical assistance to help improve quality of life. The costs associated with these long-term health issues can be significant.

Today, six in 10 American adults have a chronic disease, and four in 10 have two or more.⁴ Some of the most common chronic conditions affecting people in their retirement years include:⁵



Aging and chronic illness

Even though some chronic diseases are associated with unhealthy lifestyle choices, such as smoking, lack of exercise and poor diet, others may result from heredity and the process of aging.⁶

In fact, aging is one of the main triggers of a wide range of chronic diseases.⁷ Age is also a major risk factor for Alzheimer's disease. The majority of those afflicted with Alzheimer's are age 65 and above.⁸



About 1 of every 3 individuals age 85 and older may have Alzheimer's disease.⁹

The need for care

A chronic illness can progress over time and may limit a person's ability to perform the Activities of Daily Living.¹⁰ These activities are the simple daily tasks people do to take care of themselves, so they can live independently.

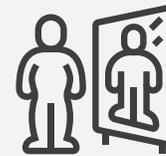
The Activities of Daily Living



Bathing



Eating



Dressing



Toileting



Maintaining continence

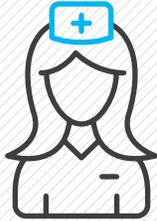


Mobility

When a person needs caregiving support to assist them with the Activities of Daily Living, it is not considered medical care. This is why it's important to plan ahead for the possibility of needing care at some point in your life.

The costs of care

There are many different types of caregiving support services available, including in-home care, adult day-care, and care in an assisted living facility or nursing home. The costs of caregiving services vary across the country, as you can see from the following example.¹¹



The average daily costs of U.S. nursing home care:

\$150 to \$1,000/day

The average annual costs of U.S. nursing home care:

\$54,750 to \$365,000/year

Who pays for care?

The issue of paying for care can be confusing. Some individuals assume that Medicare or Medicaid will cover the costs, but you should consider other options.

The limitations of Medicare and Medicaid



Medicare does not pay for non-skilled assistance with the Activities of Daily Living. It only covers the costs associated with skilled care services or rehabilitative care:

- In a nursing home for up to 100 days
- At home if you are also receiving skilled health or other skilled services¹²

Medicaid has specific criteria for covered care services, but more importantly, Medicaid has income and asset limits, and determines eligibility with a five-year look-back at your financials. It may not be reasonable consideration for every person.¹³

THE POSSIBILITY OF NEEDING CARE OR BECOMING A CAREGIVER

What are the odds that you or your spouse may need care in the years ahead? Based on data from the Department of Health and Human Services, seven in 10 people who are currently turning age 65 will need care during their lifetime.¹⁴

If you happen to fall within the 70% of individuals who would need care, having a plan is critical, not only because you'll be financially prepared, but your family can know your expectations and be prepared.

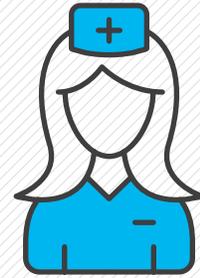
Did you know?



1 of 3 recent retirees regularly spends time caring for a loved one.¹⁵



of parents expect their children to care for them physically or financially as they age.¹⁶



Women are more likely to need care and become caregivers¹⁷

Consider the options for care

There are a variety of choices — from care in the comfort of your home to care in a community-based environment.¹⁸



In-home care — You may decide to stay in your home, and perhaps remodel your house to accommodate your needs. Whether you'd like family members, friends or other unpaid caregivers to assist you or professional caregivers to provide home health aide, personal care, housekeeping and skilled nursing services, there are solutions that offer funding for renovations and the in-home care you want.



Adult day health care — This can give you the opportunity to enjoy social activities and meals in a community- or facility-based location during the day. It may be a good choice if your spouse, children or other primary caregiver has a part- or full-time job.



Assisted living — An assisted living community may be a smart alternative if you'd like to gradually transition from independent living to skilled nursing care.



Skilled nursing facility — Depending on your care needs, this can be a viable option for a short-term rehabilitation or a long-term stay. This is residential care for individuals who have elevated care needs and complex medical conditions. Residents receive round-the-clock skilled nursing care provided by licensed nursing professionals. This care is supplemented with a 24/7 on-call physician and ambulances available for transport to a hospital should an emergency arise.

The price of becoming a family caregiver

Most of America's seniors who receive care, due to physical limitations, are not in institutions. In fact, 80% live in private residences.¹⁹ A majority rely solely on their relatives and friends to assist them. And over 50% of family caregivers have been helping their loved ones for three years or more.²⁰

Often, unpaid family caregivers make personal sacrifices to help provide care and financial support to the loved ones they care for. They may need to cut back on work and other commitments, such as family vacations, doctor visits, and even their children's education.²¹

More than 75% of family caregivers incurred thousands of dollars in out-of-pocket expenses²²



HOUSEHOLD EXPENSES

Over \$3,000 spent on mortgage payments, home modifications and installation of health and safety monitoring systems for their loved ones



MEDICAL NEEDS

Over \$1,800 spent on a loved one's medical copayments, wheelchairs, hearing aids and other equipment, as well as travel expenses to transport their loved one to doctor's appointments



PERSONAL CARE EXPENSES

Over \$1,000 spent on a loved one's shampoo, soap, clothing, incontinence supplies and pet care



EDUCATION, TRAVEL AND LEGAL FEES

Nearly \$900 spent on travel to provide care, the retrofit of vehicles to accommodate wheelchairs, lawyer consultations and caregiving training



PAID HELP

Over \$600 spent for caregiving assistance and respite care

Women are more likely to become caregivers

Women are more likely than men to become family caregivers. As a matter of fact, 75% of all caregivers are women.²³ The obligation they feel about their responsibility of becoming a family caregiver often weighs on their decision to retire.²⁴ If they retire early, this could impact them financially because they lose access to employer retirement plan contribution matching and other benefits.

If you are thinking about relying on a loved one, you can take steps now to ensure they are compensated and will not have any financial hardships as a result of becoming a caregiver.

THE IMPORTANCE OF PLANNING AHEAD

Just as with any other life decisions you make, it's wise to have a plan and share it with those who are close to you and those who may become part of your plan. It's also key to consult a financial professional, who understands your goals and present solutions that can help you reach your goals.

Be pragmatic. You may have adult children who live miles away, so relying on them for care may not be feasible. Your spouse could want to help, but may not be physically capable of performing some caregiving responsibilities that involve lifting or other strenuous tasks. So, consider supplementing what your spouse can do with a professional caregiver.

Do some research to get an idea of the costs of caregiving options in your area, or estimate home medications.

Your licensed insurance professional, in conjunction with your estate planning team, can show you planning options that can help:

- Compensate your loved ones for caregiving.
- Pay for remodeling so you can stay in your home.
- Provide federal income tax-free benefits that won't affect your modified gross income or tax bracket.²⁵

So, take the next step toward your retirement security.

Talk with your financial professional about your plan for care.

Life Insurance and annuities are not long-term care insurance and are not intended to replace long term care insurance

Insurance and annuities issued by Sagicor Life Insurance Company and not available in all states.
Home Office: Scottsdale, AZ.

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