KEEN ON RETIREMENT

Long-Term Care and Your Financial Plan

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hey everybody. Welcome back to Keen on Retirement. I'm your co-host, Steve Sanduski, and I'm here with Bill, coast to coast Keen, and Matt, marathon man Wilson. Hey guys.

Matt Wilson: Hey Steve.

Bill Keen: Hey Steve, how are you doing? Happy Thanksgiving to you.

Steve Sanduski: Yeah, same to you. Yeah, we're going live with this on Thanksgiving Day. So I think we all have a lot to be grateful for. So we're very thankful on this Thanksgiving Day.

Bill Keen: Yes we are. And Steve, the last episode that we published, I was talking about how beautiful all the fall leaves were at that time. And we've since had snow here in Kansas City, Steve. So those are gone but we were still grateful for the beautiful fall that we had.

Steve Sanduski: That's right, yeah.

Bill Keen: Yes, amongst many other things too.

Steve Sanduski: Right, yeah. It's definitely that time of year here in Kansas as well as in Wisconsin. And we're going to be locked into wintertime here for a while.

Bill Keen: I'm looking forward to coming up and seeing some of that lake effect snow again sometime soon.

Steve Sanduski: Yeah. Well, I'll let you know.

Bill Keen: Alright.

Steve Sanduski: I'll text you a picture of it, how's that?

Bill Keen: Okay, that sounds good.

Steve Sanduski: Good.

Bill Keen: That sounds good. Oh, one thing I am grateful for I might throw this out, there's a lot of things I'm grateful for, family, health, friends, great clients of the firm, friends of the firm as well. But I'm also grateful, Steve, that the political commercials have stopped for the time being.

Steve Sanduski: Yeah. And we probably have, maybe we have about one year reprieve now, because they probably start the commercials about a year prior to the next presidential election cycle.

Bill Keen: That's right.

Matt Wilson: So probably we'll be starting some presidential debates here within the next six months, so ...

Steve Sanduski: Oh yeah.

Bill Keen: Right, right.

Steve Sanduski: And with that, good. We got a lot to look forward to then, right?

Matt Wilson: Yeah. No shortage of things to talk about.

Steve Sanduski: Yeah, fun stuff.

Yeah. So well we just passed this midterm election cycle and, yeah. So never a dull moment, that's for sure.

Bill Keen: Well for sure. We were chatting earlier with some folks. I wonder Steve if, when we had a president assassinated, or Martin Luther King assassinated, or riots, I wonder if back then you would consider, "No. That was worse, way worse than we have today", or if it's even comparable.

It always feels like it's worse, but I wonder if it really is.

Steve Sanduski: Well ...

Bill Keen: And I wonder if it's just the media and the 24/7 news cycle, and some of those things make it possibly feel worse, or? I don't know. What do you think about that?

Steve Sanduski: Yeah, I think you're exactly right. I think that we all have this recency effect and so what's happened in most recent is what we are going to remember. But yeah, when you think back to the 1960s, 1968, you heard ... And as you've just mentioned, you heard Martin Luther King was assassinated, you heard Robert Kennedy was assassinated, within just a few months of each other.

Bill Keen: Right.

Steve Sanduski: And in 1968, you heard the democratic convention and the riots going on there in Chicago in 1968. So that was definitely a rough year. But you mentioned that ... Well so back then, there was like three TV stations, ABC, NBC and CBS and so, and you had news on it like between 5:00 and 6:00, or 5:30 to 6:30, half hour of local, and a half hour of national and maybe some early morning news and you had a morning or evening newspaper and that was it, and the radio.

And so you weren't inundated with the news that we have today. So yeah, it may feel like it's worse, but I think you make a great point there that folks who are in their 50s, 60s, and 70s that can remember back to the late 60s, early 70s, the Vietnam War, all the protests, that was a rough period in our country's history.

Matt Wilson: Yes.

Bill Keen: Yeah. We've got 24/7 coverage of this stuff and we all have smartphones, buzzing in our pockets every time there's some alert in whatever's happening. And yeah, you can't escape it unless you just almost get off the grid, it seems like.

Steve Sanduski: Yeah. Well, and that's actually a good idea as we should probably all take one day a week and just unplugged from the grid, and turn our cell phones off, and maybe we should have like a social media-free Sundays or something like that.

Bill Keen: Yeah. I've heard that, screen free.

Steve Sanduski: Screen free. There you go, yeah.

Bill Keen: Yeah.

Steve Sanduski: Yeah.

Matt Wilson: That's right. But ...

Bill Keen: We'd actually have to talk to each other then.

Steve Sanduski: Oh, like we're doing right now?

Bill Keen: Yeah. Maybe even see one another as well. My step-mother, I call her my mother also, she's in Jacksonville, Florida. And she does not have an email or texts, Steve.

Steve Sanduski: Yeah.

Bill Keen: She doesn't participate in it. And so I have to just deal with that, and I have to show her pictures in person when I see her and things like that. But I think it simplifies their life. She's 80 years old.

Matt Wilson: Yeah. She's looks great.

Bill Keen: Oh, she looks great. She's still out painting houses, cleaning houses, just donating her time at the church, setting up, taking down chairs, tables. This is one of the most active 80-year-olds that I know.

And she recently drove up from Florida to see us, cross country there. So you know, Steve, she was actually in town a few weeks ago and I thought about asking her to come on the podcast. I mentioned it to her and she was kind of confused, like not really knowing what that was and she never listened to it of course, because she's not plugged in. But it would be interesting to talk to her about how she stayed so active in her life in retirement, I think so.

Steve Sanduski: Yeah, we should maybe try that again if she's in town and we could try and pull that off, that would be fun.

Bill Keen: Okay. Yeah, for sure.

Steve Sanduski: Great. All right, well today we want to talk about long-term care. And this is not necessarily a topic that people are going to get super excited about, but yet it is a very critical topic. It's a topic that all fiduciary advisors should be addressing with their clients, just like you folks here at Keen Wealth Advisors do, it's part of your checklist planning process to talk about long-term care.

And so, we want to talk about that here a little bit. Maybe guys, if we could start out with maybe a brief definition of what long-term care is and then we can talk about some of the numbers related to it that I think will be a little eye-opening.

Matt Wilson: So long-term care is a range of services and supports you may need to meet your personal care needs. So most long-term care is not medical care, but rather assistance with the basic personal tasks of everyday life, sometimes called activities of daily living, or ADLs. Because you'll hear that term written in long-term care policies.

And these are the most common ADLs. It's bathing, dressing, using the toilet, transferring, which is, as an example to or from a better chair, and eating.

Bill Keen: And walking down is one also.

Matt Wilson: Yeah. Walking is another one, yeah. And so those are the activities that if you can't complete some number of those, then you are in need of what's considered long-term care. And then if whether you have an insurance policy to help you cover those costs or not, is part of what we're going to talk about today.

Bill Keen: Probably important to note, we were talking about 1968 earlier, Steve, when you were talking about some of the things that were happening, happens to be my birth year. But back in those days families were expected to take care of these issues for their aging parents and family members. It was mostly on the families to handle these things.

Steve Sanduski: Yeah, I mean that is such a great point that we kind of forget about that. And with today's society, so often the kids have moved away. They're living out of State. And so it's not as easy for the lifestyle that change where either the kids could move back to where mom or dad is, or they get mom or dad to move out of State to where the kids are. And so yeah, that's definitely a big issue.

And I think another issue is that with the advances in medical technology, people are living longer today than they were 30, 40 years ago. And maybe to some extent they're living healthier longer, but it may also mean that because of some of the medical advances, you might be hanging on longer when in the past you might've just died because we didn't have some of the lifesaving technology in medicine that we have today.

Matt Wilson: It's still even persistent in several cultures outside of the United States, where the children are expected to take care for their parents. We have clients that do have, have come here to the United States from other countries and that's just part of the planning process that we built in for them as caring for their parents.

Steve Sanduski: Yeah. And I've seen just like in my relatives, family, and friends, in like my parents' generation and I'm talking people that are in their 80s. With my parents' generation, several of them the wife ended up taking care of the husband because the men oftentimes are going to pass away earlier than the woman is.

So the wife has been the caregiver in a lot of these cases, as opposed to the children. And so that's ... Just an example here. Just within the past 30 days, a dear friend of my mom, long, long time friend of my mom, she had been taking care of her husband for the past six or seven years and he got progressively worse and he just passed away at age 93. But she did end up in recent years having some in home health workers that were helping her out, because she couldn't get him out of the wheelchair and some of those things.

So yeah, so we'll definitely talk about some of the different options here in terms of long-term care. Why don't we talk about some of the statistics here, some of the numbers which I think are eyeopening?

Bill Keen: Yeah, it is. And when we look at the financial planning process which is where we always come back to, how does all this integrate, even their ability to make a retirement decision? Is, are they in a position to have accounted for what might happen toward the end of life?

And so the question becomes, who all will be in this type of care, or need this type of care? What will it cost? And when might it happen? So we have to come up with some numbers, and some assumptions, and some analysis. And so I think it's interesting to see, what is it that we would actually be insuring for if we decided to buy insurance for this expense.

This comes from the Department of Health and Human Services, and it's information that we were able to find that says, the duration of paid care or long-term care needs, per 65 year olds plus who will need it someday, it varies pretty widely.

And what we're seeing is that 48%, so nearly half will only need this long-term care service for a year or less. And then from one to two years, 19% of the folks will need long-term care. And then if we go to between the two and five years, that's another 21%.

Matt Wilson: Yeah, if you think about that, about two thirds of the population will need long-term care for less than two years.

Bill Keen: That's right. So now remember that because we're going to come back and talk about how this fits into modeling these risks into a financial plan. Who'd be determined to somewhat need to insure that risk? Pay now in some cases very substantially, or could they pay it out of pocket later down the road?

Matt Wilson: Yeah. And that's just for the duration. That doesn't say anything about the cost of it. And so we also have data again from the Department of Health and Human Services, on what those costs are. And this is interesting. So out of pocket costs, will be zero for 63% of the population, 65 in overall.

Bill Keen: That's amazing. And so what we're saying is that nearly two thirds of the population will not actually get to the point where they need to have skilled nursing services.

Matt Wilson: That's right. Yeah. And there's another 13% that it's 50,000 or less. So now you're at 76% of the population that's going to have an out of pocket costs, of less than 50,000.

Bill Keen: Okay. Well, if this information wasn't coming from the Department of Health and Human Services, I would question it. But I think we have a good source here, I do.

Matt Wilson: We see data from insurance companies which are incented to sell insurance policies. So, you always have to just understand the source and they're not trying to, this department of Health and Human Services isn't trying to sell insurance. So they're just giving us the data, which is great. That's what we wanted just the information.

Bill Keen: Right, right. Well, tell us about the cases where it actually gets a little more out of though.

Matt Wilson: Yeah, there's 11% of the population that's going to spend between 50 and 150,000 out of pocket.

Bill Keen: Okay.

Matt Wilson: 4% that is going to be from 150 to 250,000 out of pocket. And then 9% where it's going to be 250,000 or more.

Bill Keen: Okay.

Matt Wilson: So you kind of see, okay, there's a little bit of a skew towards the high end as these numbers get up, because typically that is going to be the person that's going to need very expensive long-term care, whether it's because they have a disease that just, they're able to maintain their health, but they need very expensive long-term care for a long period of time.

But when we look at so many of these policies and analyze them for folks, they are looking to ensure anywhere from $300,000 to $500,000. And the data right here from the Department of Health and Human Services is telling us that, with the insurance once you get past maybe even 150,000, it's less than 15% of the population really needs that much insurance.

Bill Keen: Right. And you're really insuring in case you're one of those outliers that we've just talked about.

Matt Wilson: That's right.

Bill Keen: And we haven't talked about location either in the United States. I think it's probably important to talk about that. Where would you think, Steve, the most expensive state would be to have this long-term care? This essentially skilled nursing? I would call it.

Matt Wilson: Yeah.

Steve Sanduski: I would guess maybe somewhere in the Northeast.

Matt Wilson: Yeah. My data shows Connecticut here.

Steve Sanduski: Connecticut? Okay.

Matt Wilson: At a hundred and $50,000 a year. So what's that? $12,500 a month or so?

Bill Keen: Yeah, yeah. It's up there. And what do you think is the cheapest state?

Steve Sanduski: That was a good math, Bill?

Bill Keen: Yes. Well, I've been good at book learning, or cipher. I think that was a quote from Jethro, wasn't it? Some of us must probably remember Beverly Hillbillies. Alright. So, cheapest state?

Steve Sanduski: Cheapest state?

Matt Wilson: Yeah.

Steve Sanduski: I'm going to say something like Mississippi.

Matt Wilson: Yeah, close. Texas.

Steve Sanduski: Okay.

Matt Wilson: Under 55,000 a year for the long-term care.

Steve Sanduski: That's a huge disparity.

Matt Wilson: Yeah.

Steve Sanduski: From 54,000 in Texas to 150,000 in Connecticut. Wow.

Matt Wilson: Yeah. And I guess if you think you're going to need this care, maybe you need to move to Texas.

Bill Keen: There you go. Nice state tax rate there as well.

Matt Wilson: That's right, Bill.

Bill Keen: What it speaks to is it says, there's not just a yes or no, black or white answer when it comes to this. Because as we've seen here just in this brief time of looking at data, there's just a ton of variation of probabilities and physical location, and costs that folks need to get their arms around and think about in the planning process before decisions are made to roll into some of these products.

And I think it's important that we talk about the Medicaid system and the Medicare system even if ever so briefly, because a lot of folks are unaware that these costs are not covered by the Medicare system.

Matt Wilson: That's right.

Bill Keen: Typically Medicare will cover about a 100 days and the way I understand it, that's a lifetime number. 100 days of these types of costs that Medicare will cover.

And most people that are in this type of care in the United States now, are on Medicaid. And Medicaid is what kicks in. Do you know when it kicks in, Steve, for folks? And this is the problem?

Steve Sanduski: Well it's pretty much after you've depleted most of your assets, I think.

Bill Keen: That's right. And each state has slightly different rules. But we know we did a podcast about a year and a half ago or so, on my great aunt Nina. And she was born in 1901, and she passed away in 2001. So she made it to 100 years old. And I was very close with her growing up and she helped me kind of get my foot hold. Actually, she had helped me with my interest in the financial business.

We looked at the Wall Street Journal together back when I was eight, nine, 10 years old. And I had a lot of fondness for her and loved her dearly. But I was the person that was helping her with all of her affairs, my goodness when I was young, as she aged and progressed up through her 80 and 90s, and up until age 100.

And it was pretty sad because she had built up a nice nest egg for herself and ended up being private pay in assisted living. And then eventually nursing, which was, she went and finally went into a nursing home at 98 years old. And we spent, I think the last dollar of hers somewhere around age 99. And I had to go down and apply for Medicaid for her. And I was at a loss at that point too because I was thinking, "Well, why don't I just pay for her care at that point?" Because I would have.

And I had counselors, and I had mentors of mine share with me. And the place that she was located didn't change the level of care at the time where when she went from being on private pay, to Medicaid. And because it can be vastly different with these organizations. That the Medicaid organizations, they get very little funding from the government for folks.

Matt Wilson: That's right.

Bill Keen: And so most of the time they take their social security cheque and they may get $300 or $400 a month for Medicaid. And so just simply these facilities they're

Medicaid facilities, and a good portion of the case's they just can't provide the level of dignity and care and environment that a private pay facility could.

In my aunt Nina's case, she was in a place that we were able to get her involved in that and did not reduce her level of care when she was out of money, in fact. So that was a position that I had to deal with and that was back 2001, so 17 years ago. But my step-father passed away about seven or eight years ago. He had a stroke and he was in a facility we were hoping that he would recover but he started to dawn on us, my mother and myself and our family, that if he was in there for a long protracted period that my mother was going to spend down the estate pretty quickly.

And so we got pretty conscious of what would happen and how much assets she could retain and how the rules and laws worked in our state. So, and of course in that case, I definitely would've stepped up in that case personally but it's difficult. So these are, like you said at the outset of this program, Steve, it's not fun to talk about. But everybody we sit down with, and this is why we brought it up today, is because it's been a theme here in the firm consistently is, what happens when these things occur? What does Medicare pay for? How much of your own assets do you have to spend? When does Medicaid kick in? What are the other options? How do we plan for this? It can be very confusing.

And then we look at the traditional long-term care policies and those have been kind of a mess.

Matt Wilson: Yeah, it has. And it's been an evolving industry for quite some time. Back in the mid-90s, you could get a long-term care policy for about $1,500 and today ...

Bill Keen: Per year?

Matt Wilson: Per year.

Bill Keen: Okay.

Matt Wilson: Today that policy's on average about 6,500 bucks a year. Same policy.

Bill Keen: Wow. So now here's the confusing thing about it. A lot of folks when they think about buying insurance, they think life insurance. You buy a life insurance policy, especially if it's a whole life policy let's say, and you're guaranteed to, “Hey, if you bought the policy, here's your rates and they're fixed.” Right?

Matt Wilson: That's right. Yeah.

Bill Keen: So how many people do we sit down with in the firm who had, they bring in these long-term care policies to us and they're just aghast.

Matt Wilson: Oh, yeah.

Bill Keen: Because they were under the impression and even maybe told, that all these things that they were fixed.

Matt Wilson: Fixed premiums, yeah.

Bill Keen: So you're not just saying that a new person buying the policies today would be 6,500, as opposed to 1500, back 20, 30 years ago. You're saying what? You're saying that even if you bought this back then, yours have risen that much.

Matt Wilson: They have. Yeah. Yeah, it has. And it's because even the salespeople in the long-term care industry will tell you they are fixed premium, but what these insurance companies have is, the ability to adjust those premiums by proving to the Insurance Commissioner of each state that they have under insured their risk and they will get a premium increase granted to them, assuming they're legitimate. And many of them have.

On a regular basis, we do sit down with folks and they have existing policies that they've had over the years and they're getting a 30%, 40% premium increases, but those aren't every single year. But it is quite a shock when you have a policy and you get a 40% premium increase a few years later, and then three or four years after that, another 40%, it starts to add up very quickly your costs for this.

And, yeah.

Bill Keen: Then the question is, “Can I afford it still even?” Right?

Matt Wilson: Yeah. And now you've got all these sunk costs because you've been paying for it and you don't get anything out of it until you actually use it. You're kind of stuck between a rock and a hard place, part of it is, the industry has changed. So back in the 90s there were over a hundred companies selling long-term care policies. Now it's fewer than 15. That's part of the issue as well. And, Steve, as you mentioned upfront, healthcare is changing, people are living longer and maybe they're living longer in a less healthy state too. So even though they are living longer, they may not be as healthy which does maybe require more of these costs because it's prolonging life but you need a lot of care to prolong your life as well.

Steve Sanduski: So let me ask you guys, when you're meeting with one of your clients and you're going through your checklist planning process and you get to long-term care, what does that discussion sound like? And maybe give you some examples of when long-term care does make sense for a client and when it may be more an optional situation for a client?

Matt Wilson: When we sit down with somebody initially, and even as we progress through our relationship, is we're always asking about their family history and then the health of themselves, but also of their family as well. Because if we do sense

there's a history of Dementia, or Alzheimer's, or even items that might need long-term care, that does come into consideration.

Steve Sanduski: And how strict is the underwriting process if someone might be showing some of those signs, or has a history of that? Are they going to be charged a higher premium or be denied insurance in the first place?

Matt Wilson: Yeah, I've seen a combination of both where either premiums just come in higher based on certain things, but more so it's just a denial of coverage. Because if they really feel like you're at a high risk of needing it, most likely they don't want to insure that risk.

Steve Sanduski: Okay. And so this insurance we're talking is totally different from like say Obamacare where ... I think the law's still current, that you're still required to have health insurance. So, this is what we're talking here with long-term care not part of the Obamacare, is that correct?

Matt Wilson: That's right, yeah. This is just the elective insurance.

Steve Sanduski: Elective? Okay.

Matt Wilson: Yeah. And in essentially our planning process, we start with their family history. And then the other factors are, what kind of investment savings do we have? What kind of home equity do we have? Do we have family members that we could count on if needed? Those all factor into how do we determine if someone is really at risk of needing a long-term care policy.

And if we're spending too much of the portfolio, what's our spending rate going to be? And what's the asset base? Because if we're needing to live on a large percentage of the portfolio, that means that those assets may not be there to self-insure somebody in a long-term care situation.

It's not a one size fits all. Everyone's a little bit different on this. And we even have folks that can self-insure, but want to elect to have coverage because it just makes them feel better to have it, which is completely fine. It's good to understand how it's going to work and what the timeline of this expense will look like over the period that we're going to be paying it.

Bill Keen: We always talk about getting clarity and just being able to make educated decisions that aren't just, like there's this, “Hey, we have this long-term care issue thing. It's out there. We don't want to think about it, so we're going to ignore it.” We really, really advise against that. So for folks that decide to self-insure the risk, we will physically set that up in our planning process as outflows from the portfolio, toward the end of life.

And in some cases we'll three years, five years, maybe even 10 years of income needs for this expense specifically, and plan for it. And the way that our process

works is, we can actually do what if scenarios right there at the table with the big screen and just look at what a three year stay in a long-term care facility, what would that do to the State? What would that do to the healthy spouse that's still trying to live and be active outside of the institution? Would it compromise them if it was three years in, five years in, 10 years in, where's the breaking point? If any, maybe, maybe not.

We have some clients that they can spend, let's say they're spending 10,000 or 11,000 a month after taxes, already that's their baseline spending. And you get out to your plan as if, if the spouses were into a long-term facility they're probably not spending a bunch of money on travel and other expenses. So some of that is a shift too, of the assets that we've already accounted for.

Matt, mentioned home equity too. He didn't like expand on it but there's so many times in our planning process for it to be conservative, we don't count the home equity as an asset that will fund retirement, at least initially in our planning process, it makes the process on the conservative side. But we know that that home equity is there and could be used for these expenses if necessary.

Is it ideal? I don't know. It could be an opinion of each client, but it is something that we consider of course as we look through these things.

Matt Wilson: Yeah, that's right. And the other factors that go along with it are, what are we really, what's the real risk that we're worried about? And for most folks what they're really worried about is, a prolonged stay in a long-term care facility. Where someone does come up with Alzheimer's, or dementia and they're healthy for a decade. And they are going to need the full-time care for quite some time.

And when you have those costs, unfortunately there really isn't an insurance to cover that risk. And that's when we do have to talk about what would happen in those cases and as Bill mentioned, in the Medicaid there are rules around noninstitutionalized spouse, and what they can keep, and how much income they can have. Because those are factors that might happen to some folks.

Bill Keen: We talked about these traditional policies that most folks are familiar with and how the premiums have just, in most cases, gone up through the roof here. The decisions or the action, would be to either cancel the policy altogether, or in some cases they allow you to reduce your coverage.

Matt Wilson: Yeah. Change some of how it costs, or coverage lays.

Bill Keen: Right. So if you can keep the payment the same, then your coverage starts to dwindle out over time. And then I saw a piece that was written on this and it says, that those two are your options or pass away, as the final option.

Matt Wilson: As an option?

Bill Keen: Kind of sad to think about. But those are the options. Now there are other types of plans that are coming online that we're keeping our eyes pretty closely on. And there are some plans out there called hybrid plans, and we've never really liked the hybrid plans because they are a hybrid insurance policy.

Matt Wilson: Yeah.

Bill Keen: Either a life insurance policy or some kind of an annuity, so we haven't been too attracted to those over the years and we still really don't like them, but I think it's one of those things where we don't really like them anymore. It's just that the other options are worse.

Matt Wilson: That's right.

Bill Keen: So, if someone were looking at this, know the hybrid plans are there, and to consider taking a look at those. You actually do lock in the cost when you engage in one of those, so the policy premiums are the same and then you're able to get some of the premium, or some of your money back if you go into long-term care.

And if you don't use it, your heirs might get a life insurance benefit.

Matt Wilson: Yeah.

Bill Keen: But they typically cost, What? Three and four, five times more than the normal?

Matt Wilson: It's because you're paying for multiple pieces of insurance, not just one.

Bill Keen: And then I think we should probably mention the partnership long-term care plans. And this is something, we see new things laid out all the time with legislation. This is something that's been around for a while.

This partnership long-term care plans, they're state-funded Medicaid programs. So a lot of folks again, get confused between Medicare and Medicaid, but these are Medicaid programs and they're designed to take over the costs. States created these, they're an incentive, really incentivizing you to buy long-term care insurance.

Because of what we said at the outset, most people on long-term care they're on Medicaid in our country. And so when they saw this they said, all right. Let's create programs that says, if you buy long-term care and it has to qualify and there're rules out there we could link to those sites for the different states in our show notes, but there're rules to be considered a partnership long-term care plan.

But let's say that you bought a plan and it was going to cover 300,000 in benefits before reaching its limit. Now let's say that you used those benefits. It actually worked to paid out. Well what they're saying now is, instead of you having to be completely broke or down to $1,000 of assets before qualifying for Medicaid, they would allow you to keep an equal amount to what your long-term care actually paid out.

So now you could qualify for Medicaid and still have $300,000 in assets. So that's a unique program that I don't know if a lot of people know about, they can be very complicated and in some states they're ridiculously more expensive than traditional policies. But I think that it was important chat about those other options as well.

Steve Sanduski: Yeah. One other thing I just thought we might want to touch base on here is, the different types of care that we're talking about here. So I think oftentimes when we think of long-term care, maybe we just immediately jump to nursing home care. But there are various degrees of care. Maybe you could chat about that for a moment here?

And in fact in recent years there's been kind of a new type of care that's less expensive. And so yeah, I'd love to hear a little bit about that.

Matt Wilson: You've got different types of home health care, so they have these homemaker services, or home health aides. And we have national costs around those, and those tend to not be too horribly expensive. We're looking around $4,000 for home healthcare on a national basis. You also have adult day healthcare. On the less expensive side that's coming in at around $1,500.

You have an assisted living facility as another option, which typically those allow you to transition into more extensive types of care when needed. And those are on average around $3,700 across the nation. And then you have nursing home care and really broken down between whether you have a private room or not. And you're looking around $7,000 to $8,000 for nursing home.

Bill Keen: I don't know about you two, but when I get to that point we all probably will at some point, although we just heard earlier that two thirds of us won't actually have to have this specific type of cure, hopefully that still stands, hopefully with medical care advancing it's even less, but when we do get to this point if I had to make a decision, I think I'd want to stay in my own home as long as possible.

Matt Wilson: I know and we hear that from folks. And then we hear if they're caring for parents that, may be one of their spouses passed away, one of their parents passed away, the surviving spouse while can stay in the home with the caretaker, maybe misses some of the social aspect of being in a community. So there're some pros to moving into a community as well.

Bill Keen: Yeah, that's true. I think that we've covered a lot today with respect to the problem. The NSA problem it's just an issue that we're dealing with and we'll all deal with in some form of fashion, either with ourselves or our family members, and we've talked about some of the solution, some of the ways to at least plan and get our arms and minds around what might be coming down the pipe toward us.

And so I think it's good that we brought awareness to this, talked about few of the different ways to look at it. We've seen in some cases the folks they can self-insure, are able to do that comfortably and feel good about it. And some cases those folks still go ahead and purchase long-term care policies.

Finally we should talk a little bit about, or at least close with understanding that if you can see this on the horizon with yourself or one of your family members, to know that the Medicaid look back. Because we get this question a lot. How do people qualify for Medicaid? And like we said earlier, you have to be pretty much out of assets. Some states it's $1,000 or maybe $2,000 of total assets, left to be able to qualify for Medicaid.

So how do you plan for that and how would you possibly in a legal fashion, transfer assets out of your estate maybe to heirs or to others so that you qualified for Medicaid and do that in a way that's effective and appropriate. There's a five-year look back on assets that were transferred out of your estate, or your parents' estate, or grandparents' estate but I would highly recommend getting with an elder law attorney who understands those rules, because it's something that you want to do very much on the up and up and make sure that what you're doing is correct and accurate and get out ahead of things.

In most cases it requires making irrevocable gifts, five years or more before you enter into a Medicaid facility. And a lot of people aren't super excited about giving all their assets away irrevocably either. And so these are conversations that need to be heard and thought through and I think it feels complex and it is, but if we don't talk about it, they won't have any awareness around it, you know?

Matt Wilson: That's right. Yeah.

Steve Sanduski: All right, well guys, thank you. A very, very important topic. Lots of great information here. We'll have all of this wrapped up in a nice tidy bow in the show notes, @keenonretirement.com, k e e n onretirement.com.

And thanks guys for sharing. Thanks to all the listeners for listening. Please tell your friends as well about the podcast. We'd love to continue to add more listeners here because we've got great value, great information, and we're just here to be of service to all the folks that are listening here and if we can help you make some better decisions, that's what it's all about.

So thank you all for listening. Bill and Matt, thanks again for all the great work you're doing.

Bill Keen: That's right. Well thank you Steve.

And hey, once again, happy Thanksgiving to everyone here listening. Thank you.