

Investment ADVISOR

Insurance

Boomers Need LTCI ASAP

Living longer takes its toll

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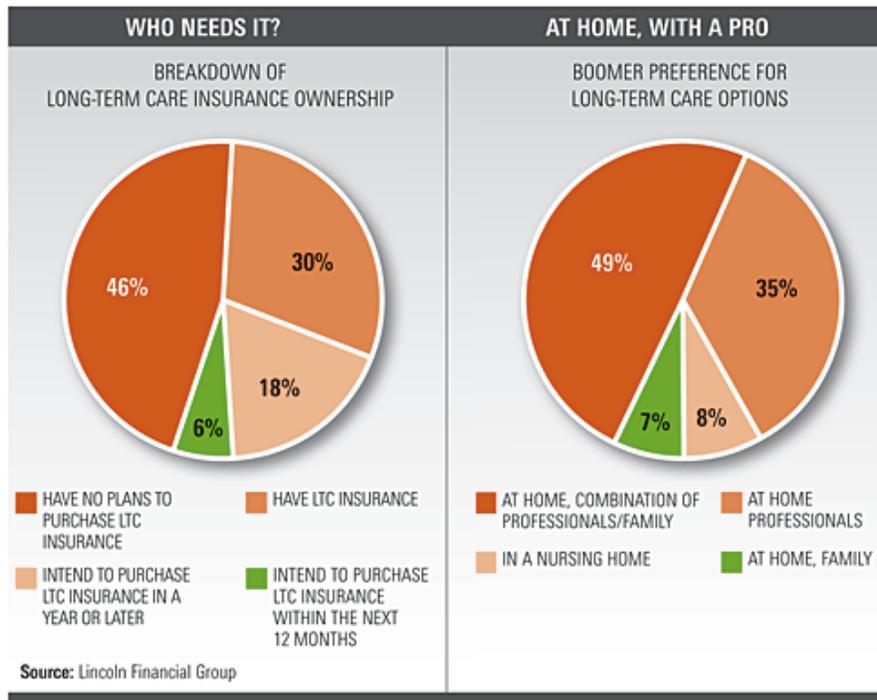
By [Kara P. Stapleton](#)

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Boomers have a lot to think about when it comes to their futures: estate planning, retirement planning, funding their children's or grandkids' education. Another decision should involve long-term care insurance (LTCI). Unfortunately, a recent study of boomers and advisors conducted by Mathew Greenwald & Associates for Lincoln Financial reveals that most boomers are ignoring the potentially devastating expenses associated with long-term care. "Take-charge baby boomers are knowingly ignoring the signs of a significant retirement detour," the report reads, citing this as the so-called "Overconfidence Effect," which keeps this generation from acknowledging the emotional and financial tolls long-term care presents.

For example, the study (based on interviews with 1,011 respondents born between 1937 and 1957 with a household income of at least \$75,000 or household financial assets, excluding primary residence, of at least \$250,000) found that 59% of boomers think others should prepare by purchasing insurance for the possibility of needing long-term care, yet only 35% have bought it themselves. Furthermore, when asked what they are doing to prepare themselves for potential long-term care needs, boomers are overly optimistic and more likely to say they are focused on such unreliable measures as maintaining a healthy lifestyle (54%), investing to get the highest possible return (40%), and saving additional money to cover long-term care (39%) instead of heeding their own advice and actually buying LTCI. These boomers essentially plan on self-insuring to fund long-term care expenses.

Additionally, this group does not seem to fully understand the limitations of other funding resources such as Medicare and Medicaid, adding to the Overconfidence Effect. More than 80% of boomers surveyed say they know that long-term care costs could significantly reduce their retirement income and assets, yet 73% plan to use their savings or investments to cover the costs versus using LTC insurance. Furthermore, two out of three boomers say that the cost of long-term care could force them to sell their homes, a scenario that may have additional ramifications in today's depressed real estate market. Nearly half of those surveyed state they will use Medicare (49%) and health insurance (45%) to help pay long-term care expenses; however, boomers are overestimating the impact these sources may have on covering total long-term care costs.



Ignorance Will Not Be Bliss

“The national average annual cost for an assisted living facility for one year is around \$36,000,” notes Bobby Greenberg, director of the Lincoln Retirement Institute. For a private room, double that amount, and multiply by five if for full 24/7 care in the home. “You’re talking about approaching \$200,000 each year if you really need someone full time at the house, and 90% of the people surveyed say they strongly prefer to have assistance in the home if it was needed,” Greenberg says. “Expectations and desires are at the high end, but if boomers use their portfolio to fund this care, considering how long these people are living, the math starts to break down.”

Dependence on these inadequate subsidies and lazy self-insurance approaches will result in boomers needing to find alternate routes in footing their long-term care bills. Greenberg reasons that this dependence and overconfidence is a result of boomers ignoring the issues. “It’s like going to the dentist—if you don’t go, you don’t have a cavity,” he says. Alternately, by acknowledging the Overconfidence Effect, Boomers can take the necessary actions to plan properly for future needs. Greenberg also advises doing it sooner than later—an illness can strike when you least expect it. Not only that, but premiums for LTCI are sharply lower the younger you purchase it.



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