

INSURANCE

SHOULD I SELF-INSURE FOR LONG-TERM CARE EXPENSES?

Self-insuring for potential long-term care expenses may seem like the easy solution, but it may actually be the most costly. Many people think, “If I need long-term care, I can simply liquidate assets.” But liquidating assets is rarely realistic.

Consider the reality of selling assets or liquidating accounts to pay for long-term care expenses. How much of your retirement investments would you need to liquidate to pay \$70,000 (after tax) of long-term care expenses? \$100,000 or more? What about the impact of potential market losses on your investments? Or, imagine trying to sell a vacation home today to finance this cost. Could you get the fair market price of the property in a short period of time?

Most important to consider, however, is the fact that your assets drive your retirement income. How will dipping into these investments affect your or your spouse’s cash flow?

In real life, people use income to pay for long-term care expenses. **So how much income do you need to be able to self-insure?**

Average Annual Cost of Care*	If Annual Retirement Income Is:	Remaining Annual Retirement Income After Paying LTC	Impact on Lifestyle/Family Obligations, Likelihood of Need to Liquidate Assets	Should I Self-Insure?
\$70,000	\$50,000	(\$20,000)	Significant	No
\$70,000	\$75,000	\$5,000	Significant	No
\$70,000	\$100,000	\$30,000	Significant	No
\$70,000	\$125,000	\$55,000	High	No
\$70,000	\$150,000	\$80,000	Moderate	Possibly

**The cost of care (as of January 1, 2010) varies depending on the level of care required.*