

What every woman should know about long-term care

WHITE PAPER

OVERVIEW

The unpredictability of a health event requiring long-term care and its expenses is a risk most likely to keep many people up at night.¹ It could quickly derail even the most thought-out retirement income plan. Unfortunately, long-term care risk is far greater for women than men because women face a higher probability of needing care or becoming a caregiver.^{2,3}

This white paper reviews the heightened risk factors women confront and the steps you could take to help protect your financial and physical well-being, as well as your loved ones.

Gain insights about the challenges women face

- Biological reasons why women are more likely than men to need long-term care
- Gender-biased sociological expectations regarding the role of the caregiver
- The long-term financial risks of needing care or becoming a caregiver

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The facts about long-term care

Even though long-term care is in the news, it could be a perplexing issue to many Americans. It is often confused with healthcare, but there is an important distinction between the two.

According to the U.S. Senate Special Committee on Aging, long-term care differs from other types of healthcare. In many cases, its goal is not to cure an illness but to enable a person to function, so they may live independently. Long-term care consists of medical, personal, social and specialized housing services in support of those who have lost some ability to care for themselves due to a disability or chronic illness. Often long-term care involves assistance with some of the most basic, yet intimate, aspects of daily living, such as getting dressed, bathing and toileting.⁴

The myths that create a false sense of security

One prevailing issue is that many Americans don't seek professional advice about planning, because they have misconceptions about long-term care. Consequently, these individuals may eventually confront the realities of the risks when a long-term care situation suddenly arises in their family. At that point, they may only have time to react, rather than respond, to a logical plan of action. So, it's important to recognize the myths that may lead you to complacency.

1 Reality	It won't happen to me 1 in every 2 individuals turning age 65 today will need the coverage of a long-term care solution during their lifetime. ⁵		2 Reality	Medicare and Medicaid have me covered Medicare only covers a portion of skilled nursing costs up to 100 days. ⁵ And Medicaid is only available to those with limited assets and income.	
3 Reality	That's what my savings are for The national average cost for a private room in a licensed nursing home is over \$102,000 per year. Financial professionals estimate that clients facing an unplanned care event may spend their savings 2–3 times faster than planned. ⁶		4 Reality	My family will be able to take care of me Women caring for ill parents are twice as likely as non-caregivers to experience depression or anxiety. And the overall cost to a female caregiver is estimated at almost \$325,000 because of lost wages and diminished working hours. ⁷	

¹Lincoln Financial Group and Hanover Research, Inc., "The Longevity Opportunity: Planning for longer lives as a family (2015 Survey)," *LincolnFinancial.com*, <http://newsroom.lfg.com/wealth-protection-expertise>, July 2016.

²LIMRA Secure Retirement Institute, "Challenges for Caregivers: How Employment Leave Impacts Women's Retirement Savings," *Advisor Magazine*, <http://www.lifehealth.com/half-working-women-taken-leave-care-family/>, September 2016.

³Centers for Disease Control and Prevention, "Long-Term Care Providers and Services Users in the United States: Data From the National Study of Long-Term Care Providers, 2013–2014," *Vital and Health Statistics*, Series 3, No. 38, https://www.cdc.gov/nchs/data/series/sr_03/sr03_038.pdf, February 2016.

⁴Family Caregiver Alliance, "Selected Long-Term Care Statistics," *FCA*, <https://www.caregiver.org/print/45>, January 31, 2015.

⁵Department of Health & Human Services, "Long-Term Services and Support for Older Americans: Risks and Financing," *ASPE Issue Brief*, <https://aspe.hhs.gov/sites/default/files/pdf/106211/ElderLTCrb-rev.pdf>, revised February 2015.

⁶LTCG, "2016 Lincoln Financial Group Cost of Care Survey," <https://www.whatcarecosts.com/lincoln>, February 2017. For a printed copy, call 877-ASK-LINCOLN.

⁷Family Caregiver Alliance, "Women and Caregiving: Facts and Figures," *FCA*, <https://caregiver.org/women-and-caregiving-facts-and-figures>, revised February 2015.

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Why women may especially be at risk

A confluence of trends have led to rising long-term care risk for women:

- ✓ Longevity
- ✓ High cost of long-term care
- ✓ Alzheimer's disease and dementia
- ✓ Women as caregivers
- ✓ Financial sacrifice
- ✓ The Sandwich Generation

► Longevity

On average, the difference between men and women's life expectancies beyond age 65 is approximately 2½ years—with 55 percent of those women being single, divorced or widowed.^{8,9}

The longevity bonus women experience may create a greater risk for care. A look at who currently receives long-term care shows this clearly: More than two-thirds of the long-term care population in both nursing homes and residential communities are women.¹⁰

Although the type of long-term care women receive will depend largely upon their needs, each comes with a different price tag. The reality is that the vast majority of adults (80 percent), ages 65 and older, who need long-term care are living in private homes, not in institutions.¹⁰

Widows often encounter economic and lifestyle hardships that couples might not, including:

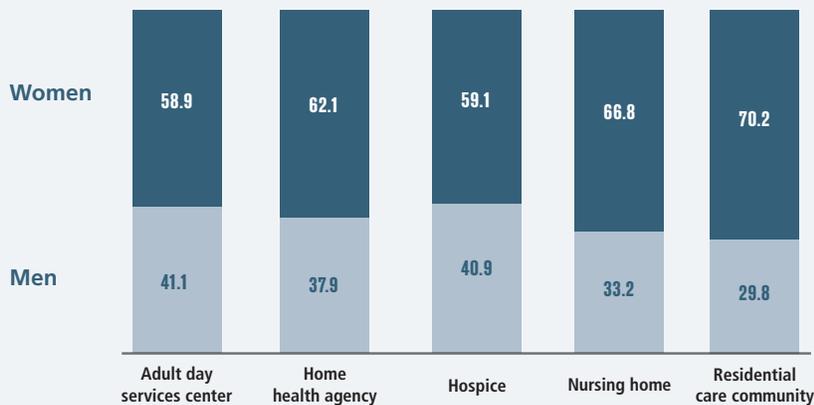
- More likely to live alone (69 percent) with no one in their household to help with daily activities
- Lower household Social Security income
- Loss of pension benefits or reduced payouts to a surviving spouse¹¹

Women at age 65 have a life expectancy of 23 more years, or age 88.

Source: Sponsored by American Academy of Actuaries and Society of Actuaries, "Actuaries Longevity Illustrator," <http://www.longevityillustrator.org>, January 2016.

Who receives long-term care?

Percentage distribution of long-term care services users, by sector and sex: United States, 2013 and 2014



Notes: Denominations used to calculate percentages for adult day services centers, nursing homes, and residential care communities were the number of current participants enrolled in adult day services centers, the number of current residents in nursing homes, and the number of current residents in residential care communities in 2014, respectively. Denominations used to calculate percentages for home health agencies and hospices were the number of patients whose episode of care ended at any time in 2013 and the number of patients who received care from Medicare-certified hospices at any time in 2013, respectively. Percentages may not add to 100 because of rounding. Percentages are based on the unrounded numbers.

Source: See footnote 10, Table 4 in Appendix B, page 105.

⁸Lincoln Financial Group and Hanover Research, Inc., "The Longevity Opportunity: Planning for Longer Lives as a Family (2015 Survey)," *LincolnFinancial.com*, <http://newsroom.lfg.com/wealth-protection-expertise>, July 2017.

⁹U.S. Census Bureau, "Current Population Survey, Annual Social and Economic Supplement, Table A1. Marital Status of People 15 Years and Over, by Age, Sex, and Personal Earnings, 2015," *ACL*, https://aoa.acl.gov/Aging_Statistics/Profile/2015/5.aspx, November 2015.

¹⁰Centers for Disease Control and Prevention, "Long-Term Care Providers and Services Users in the United States: Data From the National Study of Long-Term Care Providers, 2013–2014," *Vital and Health Statistics*, Series 3, No. 38, https://www.cdc.gov/nchs/data/series/sr_03/sr03_038.pdf, February 2016.

¹¹Renee Stepler, "Smaller Share of Women Ages 65 and Older Are Living Alone," *PewResearch Center*, <http://www.pewsocialtrends.org/2016/02/18/1-gender-gap-in-share-of-older-adults-living-alone-narrows/>, February 18, 2016.

Women often need care for longer time periods than men

In fact, women typically need long-term care services for 1.5 years longer than men.¹² The costs for an extra 18 months of care could add up to six figures, which means that long-term care expenses for women may be considerably higher.

► The cost of long-term care

Regardless of where you live in the country, the costs of long-term care are staggering and will likely continue to rise. Plus, the cycle of care is not linear, and it could quickly become overwhelming. Care might just as easily commence with the need for nursing home care as it could with an in-home health aid.

Annual costs of common long-term care services

A 2016 survey highlights the cost of some common long-term care services:

Full-time, in-home health aid	\$43,344 (\$180.64/day; \$3,612/month for 20 days)
Private room in assisted living	\$54,719
Full-time, in-home registered nurse	\$152,008 (\$416.46/day)
Private room at a skilled nursing home	\$102,656

Source: LTCG, "2016 Lincoln Financial Group Cost of Care Survey," <https://www.whatcarecosts.com/lincoln>, February 2017. For a printed copy, call 877-ASK-LINCOLN.

► Alzheimer's disease and dementia

Women are more predisposed than men to develop Alzheimer's disease, the most common form of dementia. In the United States, of the 5.2 million of those ages 65 or older with Alzheimer's, 3.3 million are female. At ages 71 and above, 16 percent of women suffer from Alzheimer's disease and other dementias, in comparison to 11 percent of men.¹³

Studies indicate that there are a number of factors at play that may increase the odds that women are more likely than men to develop Alzheimer's disease, such as:

- **The fact that women outlive men** — Age is the greatest risk factor for the disease.
- **Cardiovascular health in a female's senior years** — Since men have a higher incidence of death due to heart issues in middle age than women, men who survive beyond age 65 may have healthier cardiovascular systems and a reduced risk of Alzheimer's than women.
- **Genetics** — Women may be more genetically predisposed to develop Alzheimer's disease.¹³

► Women as caregivers

Within their household, women are most likely to be the first, last, and most affected by a long-term care event. They tend to be the primary caregiver more often than men (75 percent) and dedicate as much as 50 percent more time providing care than males.¹⁴ On average, caregivers spend 24 hours a week caring for a loved one and nearly 1 in 4 provide 41 hours or more of care per week.¹⁵

Many times American women are juggling the responsibility of caring for a family member and full time employment. Today, 20 percent of women in the workforce are also family caregivers. The pressure of trying to maintain life balance while working and providing care may be even more significant for single women who may have to shoulder the burden alone.¹⁶

¹²U.S. Department of Health and Human Services, "How Much Care Will You Need," *LongTermCare.gov*, <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>, last modified February 21, 2017.

¹³Alzheimer's Association, "2016 Alzheimer's Disease Facts And Figures," *alz.org*, <http://www.alz.org/facts/overview.asp>, January 2017.

¹⁴Family Caregiver Alliance, "Caregiver Statistics: Demographics," *FCA*, <https://www.caregiver.org/caregiver-statistics-demographics>, January 2016.

¹⁵NAC and AARP, "2015 Report Caregiving in the U.S.," <http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>, June 2015.

¹⁶Family Caregiver Alliance, "Women and Caregiving: Facts and Figures," *FCA*, <https://www.caregiver.org/print/240>, February 2015.

The sacrifice made by many of these female caregivers goes beyond personal time and includes time lost toward their career, parenting their own children, leading a healthy lifestyle, family life and more. Compounding the problem is the fact that caregiving has been linked to depression and anxiety placing women more at risk than men for these two conditions.¹⁷ What's even more disconcerting is the fact that physical stress of providing care may contribute to the long-term care needs of the female caregiver.

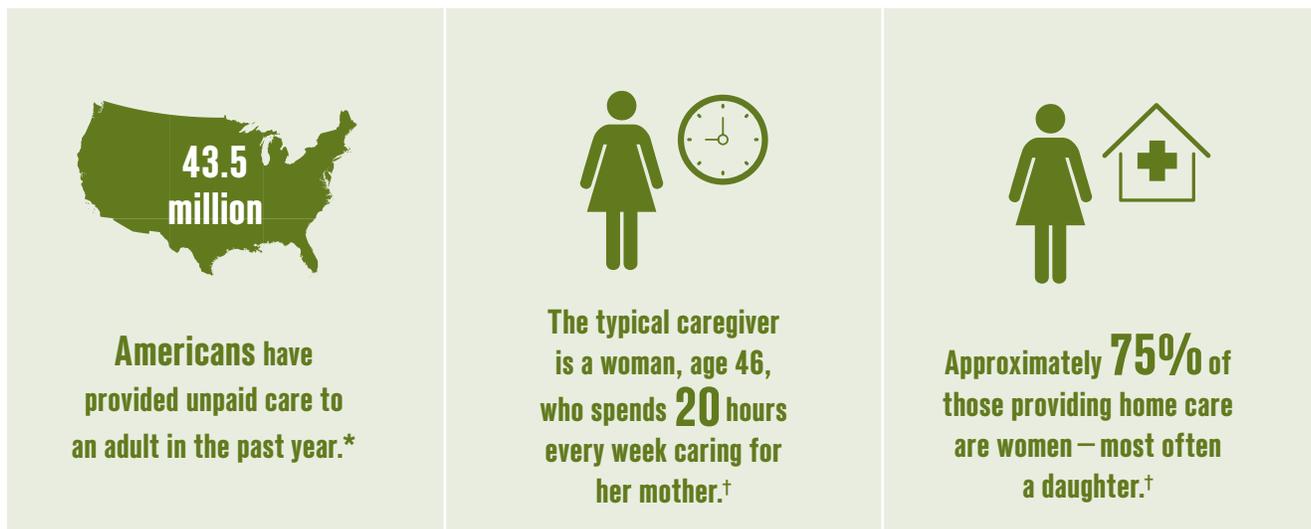
- 1 in 4 develop health problems as a result of caregiving activities.
- Women who spend 9 hours or more caring for a spouse double their risk of coronary heart disease.
- They are subject to other health issues, such as hypertension, disorders of the immune system, and increased mortality risk.¹⁸

► Financial sacrifice

When women assume the role of caregiver, they often risk serious long-term financial consequences. They may need to put their careers on the back burner, reduce the hours they work, or take a leave of absence. Even though the Family Medical Leave Act gives job protection to millions of Americans, it does not guarantee paid time off. Only 13 percent of U.S. workers in the private sector have access to paid family leave.¹⁹

36% of female caregivers handle the most difficult tasks (toileting, bathing and dressing) when compared with their male counterparts.

Source: Family Caregiver Alliance, "Statistical Portrait of Caregivers in the US," *FCA*, https://kaiserhealthnews.files.wordpress.com/2015/12/fca_statistical_portrait_part_i_demographics-1.pdf, January 2015.



*NAC and AARP, "2015 Report Caregiving in the U.S.," <http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf>, June 2015.

†American Association for Long-Term Care Insurance, "Long-Term Care — Important Information for Women," <http://www.aaltci.org/long-term-care-insurance/learning-center/for-women.php>, January 2016.

¹⁷Office on Women's Health, U.S. Department of Health and Human Services, "Caregiver Stress," *Womenshealth.gov*, <https://www.womenshealth.gov/a-z-topics/caregiver-stress>, revised January 4, 2017.

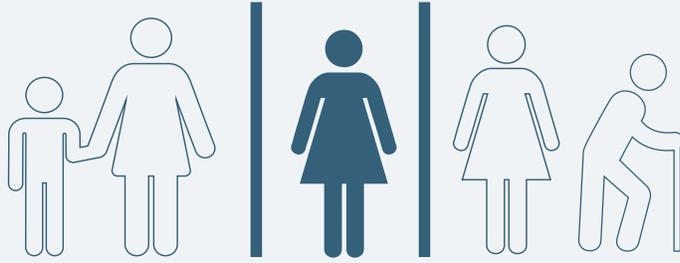
¹⁸Family Caregiver Alliance, "Women and Caregiving: Facts and Figures," *FCA*, <https://www.caregiver.org/print/240>, February 2015.

¹⁹Bureau of Labor Statistics, "Access to Paid Family Leave," *TED: The Economics Daily*, <https://www.bls.gov/opub/ted/2016/13-percent-of-private-industry-workers-had-access-to-paid-family-leave-in-march-2016.htm>, November 4, 2016.

Today, half of the female working population in this country has taken leave to care for someone in their family. As a result, 50 percent of these workers are concerned it will have a negative effect on their retirement financial security.²⁰ Fewer hours on the job and less career advancement could also be linked directly to lower retirement income from Social Security, pensions and other retirement programs. The cost to female caregivers has the potential to be quite considerable, amounting to an average of \$325,000 in lost wages and Social Security benefits.²¹

► The Sandwich Generation trap

In the early 1980s, the social worker, Dorothy Miller, noticed a new phenomenon happening in the family, which she referred to as the “Sandwich Generation.” This term refers to multigenerational caregiving in a household, where adult children became sandwiched between the responsibilities of raising children and caring for aging parents.²² Middle-aged Americans found themselves in this predicament because couples postponed having children until their mid- to late 30s while, at the same time, their parents continued to live longer.



The typical Sandwich Generation member is age **40 to 59.**

1 in 7 middle-aged adults provides monetary support to an elderly parent and a child.

The affluent are more vulnerable. **43%** of those with income of \$100,000 or above are more likely to be sandwiched than those who earn less.

Source: Senior Living, “What is the Sandwich Generation,” *Senior Living Blog*, <http://www.aplaceformom.com/blog/10-05-15-what-is-the-sandwich-generation/>, October 5, 2016.

Today, this issue has blossomed into three categories of Sandwich Generation.

- 1 Traditional:** Adults who are parenting young children and helping aging parents
- 2 Club Sandwich:** Individuals in their 30s or 40s with young children, aging parents and grandparents, or those in their 50s and 60s who are assisting aging parents, adult children, and grandchildren
- 3 Open faced:** Any other individuals involved in eldercare

Those who find themselves caught in the Sandwich Generation trap bear the burden of financial challenges, as well as stress and depression.²³

²⁰LIMRA, “Half of Working Women Have Taken Leave to Care for Family,” http://www.limra.com/posts/pr/news_releases/half_of_working_women_have_taken_leave_to_care_for_family.aspx, September 20, 2016.

²¹Peterson, J.D., Valerie., “The Impact of Caregiving on Women,” *ElderCounsel Blog*, <https://www.eldercounsel.com/blog/impact-of-caregiving-on-women/>, September 14, 2016.

²²Interim HealthCare, “The Sandwich Generation,” <http://www.interimhealthcare.com/miamieastfl/blog/may-2016/the-sandwich-generation>, April 15, 2016.

²³Senior Living, “What is the Sandwich Generation,” *Senior Living Blog*, <http://www.aplaceformom.com/blog/10-05-15-what-is-the-sandwich-generation/>, October 5, 2016.

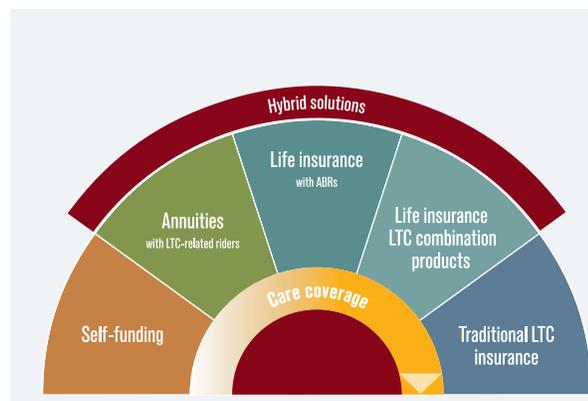
Understand the long-term care planning options

The limited role of public programs

Often individuals think that Medicare or Medicaid would cover their long-term care expenses. Yet, Medicare coverage is limited and focused on acute care. Medicaid does provide long-term care benefits; however, it is designed as a safety net for people with extremely limited assets and income. To become eligible to receive benefits under Medicaid, you would need to spend down assets, including real estate and sources of annual income, so that you are left with so little that it demonstrates your need for government support.

This is why private coverage has become the backbone for protecting assets from the high costs of long-term care expenses.

The protection landscape has evolved



The potential for self-funding

Some people who want to maintain control of their assets may consider self-funding or paying out-of-pocket for their long-term care expenses. But the unpredictable nature of a long-term care event may make you think twice about this option. In addition to the risk posed by the high potential costs, self-funding also involves investment risks for the assets that will potentially be used to pay for care, as well as managing those assets during a long-term care event. Also, you should consider the tax risk of taking substantial portfolio withdrawals to self-fund your expenses.

Annuities with long-term care riders

If you are primarily interested in securing a source of retirement income but also want a product that offers protection from long-term care expenses, you might consider an annuity with a long-term care rider. The annuity could provide you a source of lifetime income. The long-term care rider gives you additional income to pay expenses if you need long-term care. However, its benefits may be restricted to care in a nursing home.

Life insurance with Accelerated Benefits Riders

For those who are looking for the financial protection of a death benefit and added protection from long-term care expenses, life insurance with an Accelerated Benefits Rider may be an option. It combines life insurance with access to death benefits, which, depending on the rider, may be used for long-term care expenses. Generally, the life insurance component offers the potential to accumulate cash value and leave a legacy for your loved ones. The riders could be exercised to access the death benefits while living; however, the benefits are generally restricted to compensate for permanent chronic care or terminal illness, although some may offer benefits for recoverable conditions as well.

Life insurance/long-term care combination products

These products offer long-term care expense protection and other benefits if you don't need care. For example, a hybrid life/long-term care solution may provide you a choice of a death benefit, cash value growth or return of premium, or a combination of those benefits. If you never need the long-term care benefit, your heirs could inherit an income tax-free death benefit. Also, the premium flexibility of some of these solutions gives you the option to pay a single premium or lower payments for a number of years.

Traditional long-term care insurance

If you just want a policy that covers long-term care expenses, traditional long-term care insurance is an option. These insurance policies are designed specifically for long-term care coverage and help cover out-of-pocket expenses for a variety of services, such as nursing home care, in-home care, assisted living and adult day care. If however, you never need long-term care, some policies may not offer benefits or a return of premium.

Take charge of your life

Because the risk of eventually needing care or providing care, or both is much greater for women than men, generations of women in your family should take steps to prepare for the challenges. Here are three simple ways to get started.

1 Put yourself first

Think about your life and how the possibility that someone you love might need care in the future.

- If you have a spouse or partner, do you think you could physically provide that care?
- If you have parents or in-laws, do you think you could physically provide that care, or help pay for the care they need?
- If you're an only child, only sister or a sibling residing near your parents, what is the plan if mom or dad needs care?

Think about the possibility of your needing care someday.

- Would you want to stay at home and receive care? Or would you rather receive care in a facility?
- If maintaining friendships and continuity in your life are important to you, consider how a sudden health-related issue requiring long-term care might disrupt your lifestyle if no one knows your wishes because you haven't planned.

2 Plan for long-term care as a family

Talk with your spouse, your siblings, your parents, and your in-laws.

- Have an open discussion about expectations and the importance of establishing a long-term care plan.
- Encourage your loved ones to join you in a family long-term care discussion with a financial professional who can provide an unbiased perspective and planning options.

3 Talk with your advisor

Express your concerns about the issues and ask your advisor what you could do now to help protect yourself and your loved ones.

- If you're married or have a partner who does not see eye-to-eye with you, consider having a one-on-one with your advisor. It's helpful to have an experienced professional listen to your perspective and give you an impartial point of view.

Consider these options if you're concerned about your current situation

If you currently are	You may be thinking	But you have options
<input type="checkbox"/> Retired	It's too late to begin planning.	There are ways to help protect your financial future.
<input type="checkbox"/> An only child or <input type="checkbox"/> The spouse of an only child or <input type="checkbox"/> The sibling closest to your parents	When your parents or in-laws need care, the burden will fall on you.	Talk with your advisor about your situation and what you could do to avoid becoming a caregiver or be a caregiver on your terms.
<input type="checkbox"/> A young professional	It's too early to get started.	Being young and healthy is your advantage. You could get more for your money when you plan early in life.
<input type="checkbox"/> In a health-related field	A medical issue requiring long-term care is a significant risk for the person who needs care and their loved ones.	You understand the importance of prevention. Seek help from a financial professional, and take steps to help protect yourself and your loved ones.
<input type="checkbox"/> Married to or have a partner without coverage	I may be expected to become a caregiver if my other half should become ill. This could jeopardize my career and my financial well-being.	In addition to discussing with your spouse, consider having a one-on-one discussion with your advisor about your concerns.
<input type="checkbox"/> Single or divorced	I'm worried about the potential of needing care and affording the costs.	Today there are many available solutions. Have a discussion with your advisor, so you feel confident that you're protecting your savings and lifestyle.
<input type="checkbox"/> Covered through your employer	I've got coverage. But are you sure it's sufficient or that it offers the benefits you want?	Ask your advisor to review your policy with you.

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