

Invest or Buy Long-Term Care Coverage?

Individuals who are under the age of 55 may think that they could invest their money instead of paying for long-term care insurance now. This is because they often feel that the likelihood of needing such care lies far in the future. While the idea of drawing upon an investment if money is needed or giving it to heirs if it isn't needed seems attractive, it's important to know that this strategy leaves individuals vulnerable if they need care sooner. For example, if an individual requires long-term care while they're in their 50s, 60s or 70s, they may find that the amount of money they have isn't nearly enough. This is especially true if life expectancy isn't necessarily shortened but the need for long-term care is estimated to last for several decades.

To better understand this concept, assume that an individual saves about \$2,000 each year and invests the amount in a savings account. The amount of interest assigned to even the most generous savings interest rate isn't enough to keep up with the rising costs of health care today. Even if that individual continues to faithfully deposit money into savings, the total amount wouldn't be enough to pay for more than a few months of care in a nursing home if care is required sooner than expected. If that same individual needed money to pay for additional care, which is highly likely, he or she would have to liquidate other assets in order to compensate for the difference.

While it is possible that some individuals may be able to save more than \$2,000 per year, earn more than 4 percent on a savings account or that the cost of long-term care may rise slower in the future, it's important to be properly prepared. If two or more of these possibilities were true and an individual didn't need care until age 85, it may be possible to have enough money saved to pay for long-term care. It's also possible than an individual may not even need long-term care. People who die suddenly from heart attacks, strokes or other causes may skip the need for a nursing home stay. Some people who enter a nursing home only stay for a few months. They may either be there for rehabilitation or may only require a short stay close to the end of their life. However, with statistics showing that most individuals are more likely to live longer and survive heart attacks or strokes, the most prudent choice today is to buy a long-term care insurance policy. To learn what options are available for long-term care insurance, contact an agent today.