# Be *prepared* for long-term care

**UBS Financial Services Inc.**
**The Colvert Wealth Management Group**
90 South Cascade Avenue
Suite 900
Colorado Springs, CO 80903-1622
719-520-3650 800-624-3773
ubs.com/team/colvert

**Hank Colvert**
First Vice President- Investments
Senior Portfolio Manager
719-520-3615
hank.colvert@ubs.com

**Brian Colvert**
Financial Advisor
Portfolio Manager
719-520-3617
brian.colvert@ubs.com

Investors have told us that long-term care is their number one personal concern, surpassing even retirement. Add to that concern increasing life expectancies and rising healthcare costs, and it's clear that no financial plan is complete without a strategy to fund long-term care. We know starting the conversation can be difficult, but not nearly as difficult as being unprepared.

## Defining your future

Many of our clients have a clear idea of how they will age. According to *UBS Investor Watch,* 90% of investors believe that they will go through three distinct phases of retirement—"Transition," "My Time," and "The Last Waltz"—lasting a total of 30 years or more.[1] Most underestimate how much they'll need in the last phase, when health issues become a major focus.

In addition, 44% of investors said maintaining self-reliance in old age is most important, with two-thirds preferring to remain in their own homes.[2] However, this may also be the most expensive option considering the cost of home remodeling to accommodate senior citizen living and, if needed, round-the-clock health aides. If you're concerned that your long-term care costs may become a financial burden to your spouse and other loved ones, we should discuss strategies for funding long-term care.

## Longer lives, bigger bills

The average 65-year old is now expected to have a much longer life-span,[3] with the average life expectancy of women about five years longer than for men, and 40% of all women 65 and older living alone. Without proper planning, many women who help spouses through prolonged illnesses or incapacitations could end up with funding shortfalls of their own. For this reason, having a plan for long-term care is especially important for women, and for men who want to protect their wives.

The average cost of long-term care can easily approach $92,345 per year and is typically not covered by Medicare.[4] The average length of a nursing home stay for someone older than 65 is three years.[4] Fortunately, there are many strategies available to help you fund these expenses ahead of time, but, they should align with your goals and be considered in the context of your overall financial plan. For example, do you envision an assisted living arrangement or moving into a professional facility? Or, would you prefer to "age in place" with professional or family assistance?

## Funding long-term care

There are different ways to pay for long-term care. Below are some basic options that can help you make the right decisions.

- **Paying out-of-pocket:** Investors with sizable assets sometimes prefer to "self-insure" by paying all their long-term care costs out-of-pocket, or by combining out-of-pocket payments with other funding strategies. If you're considering this option, we can help you assess whether you have enough liquid assets to meet your long-term care needs and those of your spouse. Actual costs could exceed expectations, given the highly inflationary nature of healthcare. Also, if you liquidate assets to pay for long-term care during a market downturn, you need to consider how selling at a loss could affect your long-term financial plan.

- **Long-term care insurance:** Long-term care insurance can be a more cost-effective alternative to paying out-of-pocket. Premiums, however, increase with age and are impacted by pre-diagnosed conditions, so the sooner you start exploring this option, the better. Think about what you want your coverage to pay for. Services that are commonly covered include nursing, social and rehabilitative services needed in the home or at a facility. Besides age and health, premiums will depend on what kind of services you want covered, how long you want coverage to last, and whether you want inflation protection. Keep in mind, however, that premiums are typically not refunded if you end up not needing long-term care.

- **Life insurance with long-term care benefits:** An alternative to long-term care insurance is a universal life insurance policy with an optional long-term care benefit rider.[5] A long-term care benefit rider is an amendment that provides additional coverage for long-term care costs if needed. These policies typically offer a death benefit to beneficiaries and may offer a refund-of-premium feature, which reimburses a percentage of premiums if you end up not needing long-term care or should you decide to forfeit the policy.

## Let's have a conversation

It's important to know your options for paying long-term care expenses so we can get started on a strategy sooner than later.

**Advice. Beyond investing.** Your financial life encompasses much more than your investment strategy. It includes your goals for the future and how you want to live right now. UBS is committed to addressing all of your needs—giving you the confidence to pursue all of life's goals.

[1] *UBS Investor Watch,* 4Q 2013.
[2] *UBS Investor Watch*, 2Q 2013.
[3] The MetLife Study of Caregiving Costs to Working Caregivers, June 2011.
[4] Lincoln Financial Group, 2012.
[5] Optional riders and benefits are available at an additional cost. Optional riders are only available through the purchase of a universal life or variable universal life product. Long-term care insurance products are issued by unaffiliated third-party insurance companies and made available through insurance agency subsidiaries of UBS Financial Services Inc. Applications for long-term care are subject to the underwriting requirements of the issuing insurance company, including a medical examination. Long-term care insurance may not cover all of the costs associated with long-term care. You should review all long-term care contracts carefully as they have exclusions, limitations, reductions in benefits and terms under which the contract may be continued in force or discontinued. Contract benefits and maximum monthly benefits may vary by state. For costs and complete details of a particular long-term care insurance product, you should contact your Financial Advisor.