Overcoming Common Client Objections to the Long-Term Care Discussion

Most people think that unpleasant things like serious illness are more likely to happen to others than to themselves. As a matter of fact, most Americans believe they won't need long-term care, even though the U.S. Department of Health and Human Services estimates that 70% of all individuals turning 65 will need some form of long-term care during their lifetime.[1] While it's understandable to want to avoid discussion about worrisome topics, planning ahead as a family to help protect wealth from long-term care expenses may help loved ones get the care they deserve in the way they want.

"Medicare and Medicaid have me covered."

Many people mistakenly believe Medicare or Medicaid will pay for all long-term care expenses. In fact, Medicare does not cover long-term care in the event of an injury. It may only cover a portion of skilled nursing facility costs for up to 100 days, and it only provides limited amounts of coverage for certain types of home health care.

To qualify for long-term care benefits under Medicaid, an individual must have limited resources and spend down assets to a diminished state that demonstrates the need for governmental support. Spouses are also capped on the amount of assets they can own and the income they can earn.

There are a number of other drawbacks to relying on Medicaid. When individuals spend down their assets, they incur any resulting taxes. Ultimately, these requirements mean that they may not be able to stay at home, choose where to receive care, meet other financial obligations, or help their family members.

"My family will be able to take care of me."

In past generations, spouses and children took care of their loved ones when they needed care. Why can't the same approach work today? Eventually this outlay of time and energy exacts a cost. Even if one spouse is healthy and strong enough to care for the other, that ability may change as the couple ages. Additionally, the caregiver spouse tends to suffer from the emotional and physical stress of caring for the other. Studies have found that a woman taking care of her disabled spouse is almost six times as likely to suffer from depression or anxiety than normal.[2]

When a spouse can no longer provide care or needs help providing care, grown children often step in, but getting assistance from a grown child for activities of daily living (eating, dressing and bathing) may be uncomfortable, creating a role reversal that affects the entire family. In addition, women caring for parents are twice as likely to experience depression or anxiety as non-caregivers.

Consider these statistics:

- On average, caregivers spend about 24 hours per week providing care.[3]
- 60% of caregivers work full time and another 15% work between 30 and 39 hours a week.[4]
- The "typical" caregiver is a 49-year-old married women who works full-time while providing care for a relative.[5]

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“That’s what my savings is for.”

Many people expect to pay for long-term care costs out of pocket or with their investment assets. Some people prefer this strategy because they fear wasting the cost of insurance if they never need care. Yet even those with sufficient wealth and retirement income need to realize that paying for care costs out of pocket will likely reduce their total investment assets, which may reduce their income and increase their tax exposure — a painful chain of events.

When families don’t make any plans for long-term care, all of a sudden they’re in a situation where they’re liquidating IRAs and paying huge taxes, and the markets aren’t always going to work on their side. Three years in a facility, which is not uncommon, at today’s costs would total more than $280,000. Not many clients can afford that risk to their retirement portfolio without affecting their lifestyle or legacy.

Most importantly, crafting a well-made plan may prepare the family and provide guidance for a loved one at a critical moment. Should they provide care themselves? Can they afford to get professional help? What would their loved one want if it’s not clear?

“Long-term care coverage is too expensive. What if I never need care?”

Most of the objections an advisor is likely to encounter from a client during a long-term care discussion apply to traditional long-term care insurance, but many of these can be overcome with other products, such as linked benefit products.

Commonly, clients will object to the long-term care discussion because they do not want to pay for something they may never need. This concern becomes a non-issue with linked benefit products, because the clients can be assured that if care is not needed, they can leave a legacy to their loved ones in the form of a tax-free death benefit. There are even linked benefit solutions with guaranteed premiums, return of premium features and even some that build cash value.

Talking about the challenge of long-term care expenses in advance, and making a sensible financial plan, may help protect the wishes and emotional well-being of the entire family.

Contact your dedicated DBS Case Design Analyst for more information about how to get started with your clients.

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[1] U.S. Department of Health & Human Services, “Medicare & You 2015,” www.Medicare.gov, www.medicare.gov/ Pubs/pdf/10050.pdf, revised December 2014.
[2] Press Release (2002, August). “Reverberations of family illness: A longitudinal assessment of informal caregiving and mental health status in the nurses’ health study.” *American Journal of Public Health*, as quoted in Family Caregiver Alliance, “Women and Caregiving: Facts and Figures,” February 2015, https://caregiver.org/women-and-caregiving-facts-and-figures.
[3, 4, 5] AARP and National Alliance for Caregiving. *Caregiving in the United States 2020*. Washington, DC: AARP. May 2020. https://doi.org/10.26419/ppi.00103.001