

# Help protect your wealth from unexpected healthcare costs

White Paper

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When planning for retirement, Americans are eager to accumulate enough wealth to enjoy all the fun things they have planned—traveling more, pursuing hobbies and interests full time, perhaps even buying a vacation home.

What is less enjoyable to consider is the money you may need to set aside to cover a much more serious issue—healthcare. While Medicare may cover acute illnesses that require doctors' visits and hospital stays, people are often unprepared to meet the long-term care expenses associated with chronic illness. These expenses include personal or medical assistance with the activities of daily living (ADLs): bathing, dressing, continence, eating, toileting, and transferring.

Individuals who are "chronically ill" must be certified by a licensed health care practitioner as:

- Unable to perform at least two ADLs for a period of at least 90 days due to a loss of functional capacity, or
- Require substantial supervision due to severe cognitive impairment or a deficiency in memory, orientation or judgment, affecting safety awareness

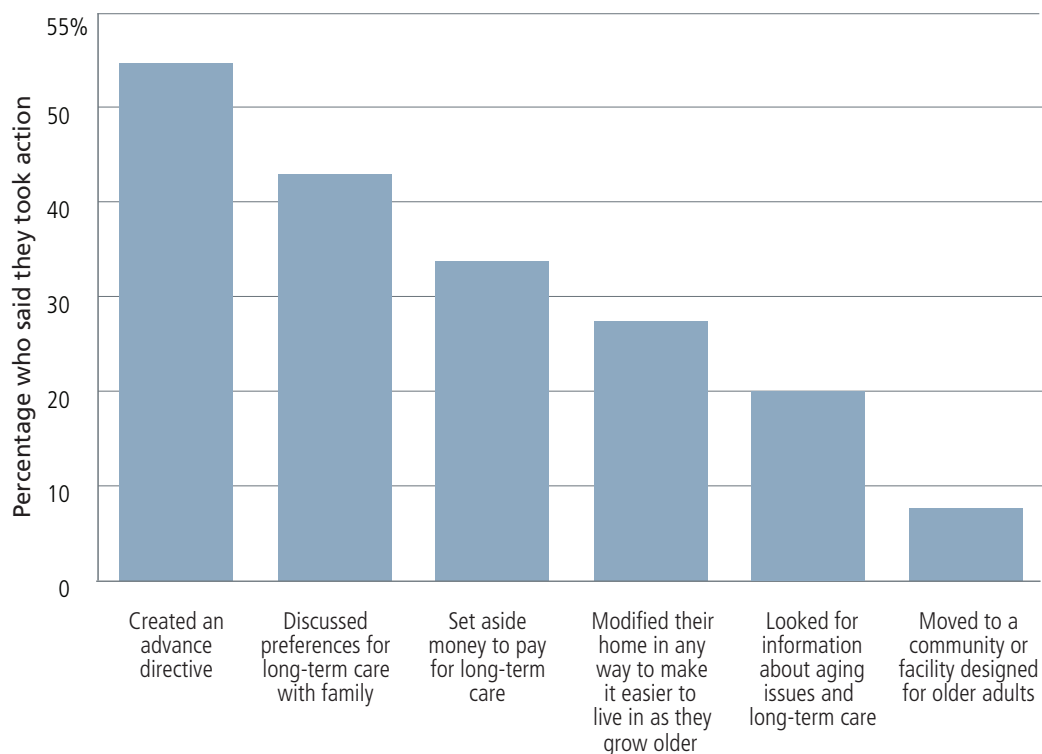
Long-term care expenses could pose one of the greatest challenges to your personal wealth. That's why discussing your future healthcare considerations and long-term care with an appropriately licensed insurance agent/producer is an important part of planning for your retirement.

# Healthcare needs are increasing

It's a wonderful fact that Americans are living longer. The oldest of the baby boomers started turning 65 in 2011. By 2030, after the last of the baby boomers reaches age 65, the number of people age 65 and over in the United States is expected to swell to 72 million, or 20% of the population, a dramatic increase from just 40 million and 13% in 2010.<sup>1</sup>

With extended life spans comes a simple truth: The longer you live, the more likely you're going to need extensive healthcare services. That need encompasses not only the acute care that hospitals provide, but also the long-term assistance that nursing homes, assisted living facilities, and in-home care providers deliver.

## How some people 40 or over are planning for their own long-term care needs<sup>2</sup>



An advance healthcare directive or living will is a legal document that specifies your wishes regarding medical treatment should you become ill or injured and are no longer able to make decisions.

<sup>1</sup>www.agingstats.gov, "Older Americans: Key Indicators of Well-Being," [http://www.agingstats.gov/Main\\_Site/Data/2012\\_Documents/Population.aspx](http://www.agingstats.gov/Main_Site/Data/2012_Documents/Population.aspx), 2012.

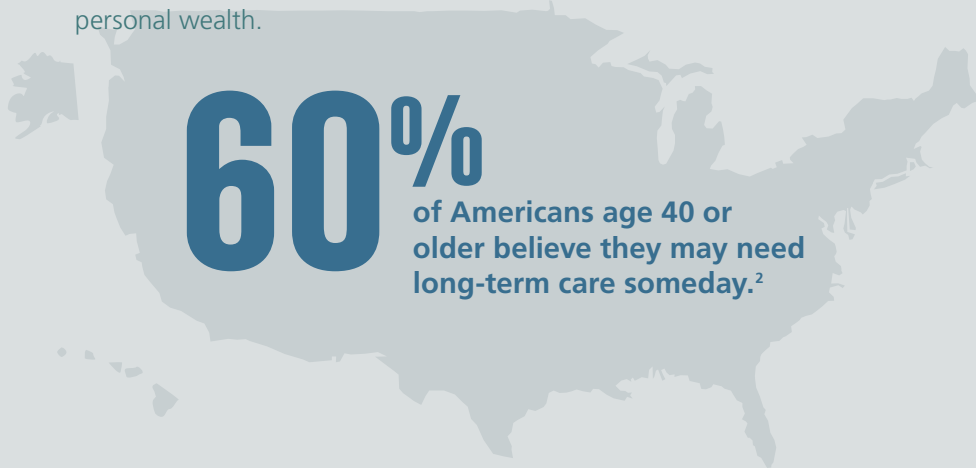
<sup>2</sup>The Associated Press-NORC Center for Public Affairs Research, "Long-term Care in America: Expectations and Reality," May 2014.

## Long-term care expenses

What may be even more sobering than the growth in the need for long-term care are the costs associated with it.<sup>1</sup> Just consider the national average costs for the following types of care:

	<b>\$95,707</b>	<b>\$49,669</b>	<b>\$21.86 per hour</b>	
	One year in a private room at a skilled nursing facility	A one-bedroom unit in an assisted living facility for one year	Assistance from a home health aide	

Many Americans are at risk of having long-term care needs that could make a significant impact on their family's personal wealth.

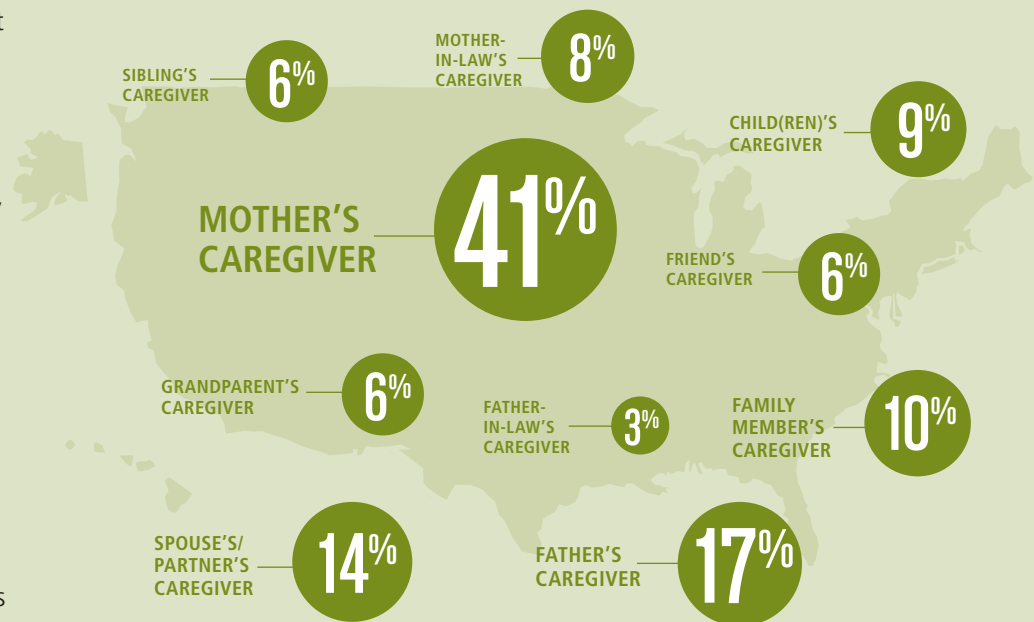


## Long-term care could affect your loved ones

Of course, not being prepared to meet long-term care needs doesn't just take a financial toll. Without the proper plans in place, your family members may be obligated to provide care that professional services in the community could deliver better. When difficult decisions have to be made about healthcare, your relatives may not be aware of your wishes. Addressing all of these issues ahead of time not only provides financial protection, it may also eliminate unnecessary emotional burdens for your loved ones.

Research shows that only 30% of Americans who will become caregivers for family or friends in the next five years feel that they are prepared to take on the job. Yet, many rely on their relatives for long-term care.<sup>2</sup>

## Percentages of those who currently or previously provided care for a relative or close friend.<sup>2</sup>



<sup>1</sup>LTCG, "2013 Cost of Care Survey," <https://fulfillment.lfg.com/servepdf.aspx?sku=MGR-COST-WPR003>. For a printed copy of the survey, call 877-ASK-LINCOLN.

<sup>2</sup>The Associated Press-NORC Center for Public Affairs Research, "Long-term Care in America: Expectations and Reality," May 2014.

## Government benefits are often misunderstood

Some individuals have not considered long-term care planning because there is a considerable misunderstanding about how government programs might help:

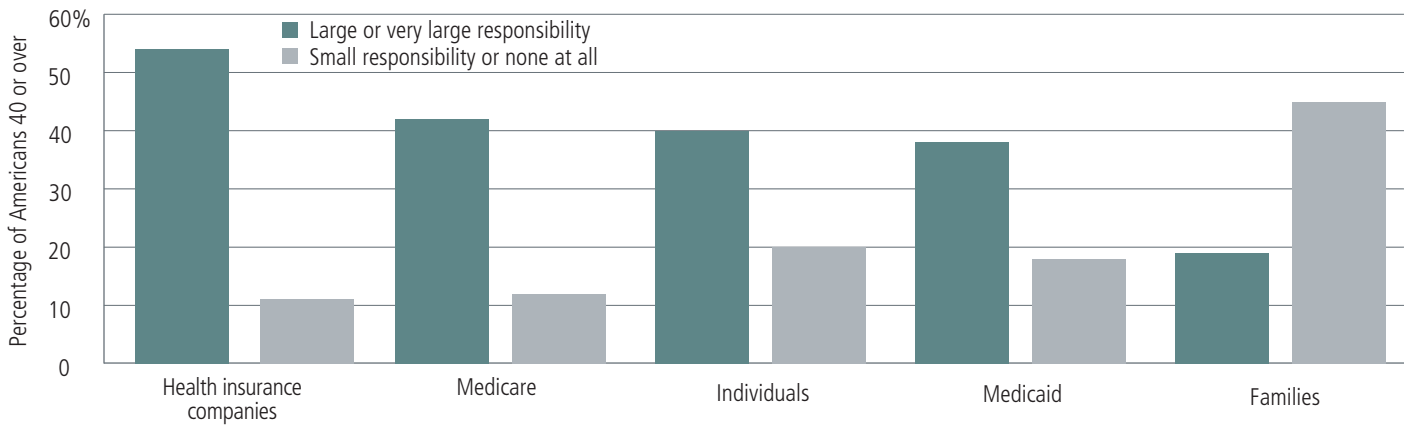
- They may assume that Medicare would cover all of their long-term care costs, but it does not.
- Or they may believe the Affordable Care Act provides comprehensive coverage for long-term care. It does not.

Medicare is designed to cover only the costs of the acute care that you receive during doctors' visits or hospital stays. While some extended services, such as physical therapy after a fall or stroke, may be covered, the program does not cover chronic healthcare needs or provide coverage for long-term assistance with daily living functions. While the state Medicaid programs do cover long-term care, these benefits are available only if you have very low income.

With regard to the Affordable Care Act, there had been a provision to provide some coverage for long-term care, but that was not included when the final program was implemented.

### Perceptions about who should be responsible for long-term care costs<sup>2</sup>

When asked who should be responsible for covering ongoing living assistance, Americans age 40 and over gave the following responses.



## Skepticism about traditional long-term care policies

Among those who are aware of the option to buy traditional long-term care insurance, there are prevailing perceptions about the policies that make individuals resist purchasing them:

- Some associate long-term care policies with ongoing premiums that may increase.
- Because some policies have elimination or waiting periods, consumers don't like paying for a policy through a period when they may not use it.

<sup>2</sup>The Associated Press-NORC Center for Public Affairs Research, "Long-term Care in America: Expectations and Reality," May 2014.

# Solutions to address these issues

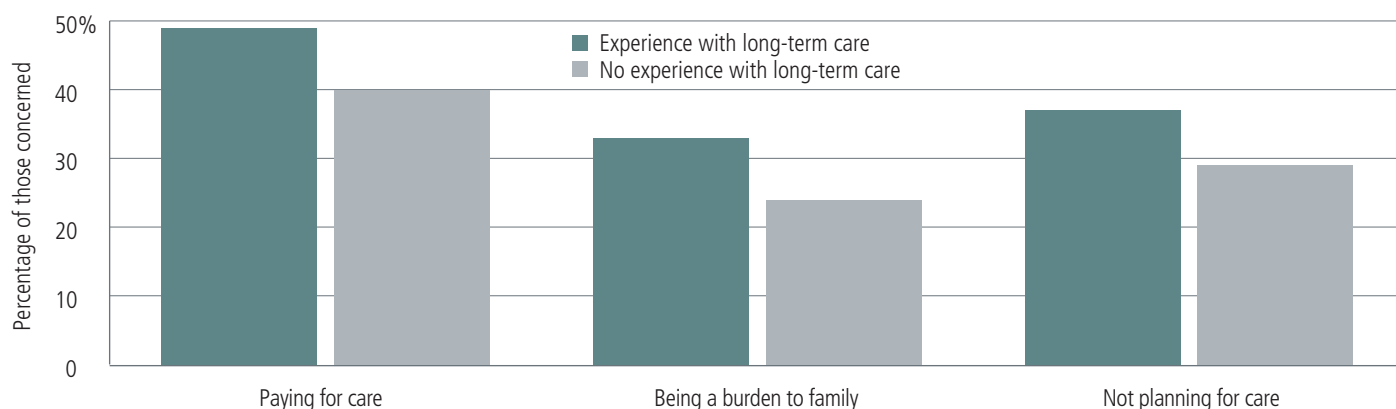
The good news is long-term care policies have evolved in recent years, and there are a number of options to help protect your savings from long-term care expenses.

- New long-term care funding options combine life and long-term care insurance. These hybrid policies provide coverage for long-term care, but if care is never needed, you could get some or your entire premium back or provide protection for your family members with life insurance.
- Today, some annuities feature riders that provide financial protection from health-related costs associated with chronic illness.
- Some hybrid options feature a simplified application process. This could make obtaining a policy much easier for you.

## Americans are taking action

Long-term care and healthcare costs now rank among the public's top financial concerns; and across income levels and age groups, a significant percentage of the population is concerned about their long-term care needs. Those who have had an experience with long-term care are more aware of the need for planning and less likely to think they could rely on family as they grow older.

As indicated in the following chart, individuals who have experience with ongoing living assistance, whether they are care providers or receive care themselves, are more concerned about issues associated with aging than individuals who never had experience with long-term care.\*



### Long-term care experience increases concerns\*

More than half (53%) of surveyed Americans over age 40 have created an advance directive to alleviate the emotional burden that could fall upon family members if they have to make uninformed care decisions for a loved one. 41% said that they have discussed their preferences for long-term care with family members.\*

53%  
over age 40

\*The Associated Press-NORC Center for Public Affairs Research, "Long-term Care in America: Expectations and Reality," May 2014.



## Take the next step

Start the planning process. Ask your insurance agent/producer or advisor about Lincoln's wealth protection strategies that could help you protect your savings and your loved ones.

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