

# PLANNING FOR ALL OUR TOMORROWS

Taking in the entire view

BY JUDE NEUMAN



History reveals the American penchant for optimism. The earliest immigrants braved the Atlantic to reach an unbridled and inhospitable land—all in the name of finding a better life. Optimism drove the settlers west and the prospectors to the gold rush. Generations stood undaunted at Ellis Island, awaiting America's promise.

History also characterizes us as a nation of intrepid inventors. We replaced the time-honored button with the zipper; we circumvented stairways with escalators and elevators. We pioneered coronary artery bypass surgery and organ transplants. We don't dwell on problems. We fix them.

This seemingly irrepressible and indomitable attitude can be a good thing, but it can also insulate us, pushing away ideas that we would prefer not to think about—for example, becoming incapacitated or needing long-term care. These are, quite honestly, unsettling thoughts for most of us.

And with the life expectancy of Americans increasing, the prospect of living longer has encouraged many of us to

postpone such worrisome notion. We feel that we'll have plenty of time to consider them "later." In 1900, the average American lived into the late 40s. By 2000, that number had nearly doubled, reaching the late 70s.<sup>1</sup> Better public health, improved health care, and continuing medical advances have all contributed to this longevity, which continues to grow. Reaching 100 is not unusual these days. However, living longer does not necessarily imply living longer independently. For many optimists, the good news

<sup>1</sup> Source: National Center for Health Statistics, "Health, United States, 2006 with Chartbook on Trends in the Health of Americans," Hyattsville, MD: 2006, page 176.

of longevity often overshadows the possibility of needing assistance to live in those later years. The typical response: “It will happen to the other guy, not me.”

Yet some of us are beginning to witness what happens to our own parents and how their health affects the family as it tries to cope with a long-term care situation. It is an emotional and financial ordeal as well as a physical one. Once people watch their family go through a long-term care experience, they are touched by the reality of it—the repercussions on family members are complicated.

## COMPLICATIONS OF GIVING CARE

*Sandwich syndrome.* Some couples are finding themselves pulled in two directions: dividing their time between caring for parents and rearing children. Scheduling conflicts

and demands are ongoing, not temporary. The stresses of fulfilling both obligations—being a parent and an adult child—can be overwhelming.

*Workplace issues.* The number of two-income families has increased, so frequently there is no at-home family member to act as a caregiver. Instead, caring for Mom or Dad means juggling caregiving with workplace responsibilities: arriving later, leaving earlier, or taking time off. In some instances, caregiving is so demanding that the family member must relinquish his or her job.

*Loss of income.* Many workers must leave the workplace at the same time that the cost of caring for a parent is already putting pressure on the family budget.

*Long-distance care.* With modern families strewn around the country, the days of tightly knit extended fami-

## TIPS FOR CAREGIVERS

**START EARLY.** Begin the conversation with your parents or loved one early when there’s no pressure to make decisions—while they are able to talk about complicated issues, like budgeting, wills, and estate plans. Now is the time to create a durable power of attorney to manage financial and healthcare matters.

**FILL IN THE BLANKS.** Learn where important financial documents are kept. Review these papers and familiarize yourself with the day-to-day responsibility for managing healthcare and financial decisions. Begin by working with your loved one, so if you must eventually become fully responsible for these decisions, you can assume them with confidence.

**DEVELOP A FAMILY CARE NETWORK.** Involve siblings and other family members in developing a care plan. Don’t go it alone. If you must assume the role of primary caregiver, talk about how the family will compensate you for your service. Also how will the family share in the cost of medical supplies or accommodations, like modifying a bathroom?

**FIND SUPPORT GROUPS.** Check with your state, county, or city to locate caregiver support groups. If you cannot attend support groups, you can find groups online at [www.geocities.com/~elderly-place/support.html](http://www.geocities.com/~elderly-place/support.html).

**BECOME INFORMED.** You can browse the Internet to find information about caregiving for specific illnesses or conditions. The Internet will also provide information on in-home and community-based services, such as respite care for the caregiver, meal pro-

grams, senior centers, as well as adult day care, transportation, cleaning and yard work services. To learn about home health care options in your state call your state Medical Assistance Office.

**LEARN ABOUT INSURANCE COVERAGE.** Prescription drugs and medical care can be a tremendous financial burden. Talk to your loved one to define these costs and learn about the resources available to pay for them. Is there any long-term care insurance or other health care coverage? Any gaps in coverage? If no health insurance exists, and your family member has a low income, he or she may qualify for government help such as Medicare, Medicaid, or “medi-gap” programs.

**EVALUATE FINANCIAL RESOURCES.** Inventory the assets in your family member’s retirement plans, as well as any income from investments and Social Security. Is there debt or any liabilities? Consider tax issues. Investigate financial tools to help supply income. For example, immediate annuities can be purchased for a lump sum and provide an immediate stream of income for a period of time.

**CARE FOR YOURSELF.** In addition to the time and the work involved in caring for another person, don’t discount the emotional strain involved. The U.S. Department of Health & Human Services website offers a section on caregiver stress that also provides information on helpful organizations that can aid the caregiving effort at <http://www.4woman.gov/faq/caregiver.htm#c>. You can also call the national Women’s Health Information Center at 1-800-994-9662.

lies living in a single city or area are fewer and fewer. Without family members close by to share the work and support each other, caregiving becomes all the more difficult or impossible. Who travels? How long can a family member visit? Who fills the gaps? Visiting a loved one and lending support is one thing; being depended on to provide essential care is quite another.

## NEW MINDSET

Our optimism also comforts us with the thought that needing long-term care is a byproduct of old age. Not so. Unfortunately, anyone can be paralyzed as the result of an auto accident. Parkinson's can strike young adults. Multiple Sclerosis can affect people in the 30s and 40s. Early onset Alzheimer's disease typically begins in the 50s, but it has been known to strike people in their 30 and 40s. The unexpected does happen.

On one level we recognize the possibility of the unforeseen. We buy life insurance to protect our families and their future, disability insurance to protect our incomes, and health insurance to cover medical needs. So we do plan for the "traditional" unknowns. Yet living long or needing ongoing care for years is a new concept, an eventuality peculiar to our time. Forty years ago, medicine could not prevent death and extend life the way it can today. Back then, when people suffered from strokes, heart attacks, or serious accidents, far more died.

## OPTIONS

If the family cannot take care of a loved one, what are the options? Health insurance is designed to cover acute, short-term medical situations, like a broken leg or surgeries, not chronic care. Disability insurance is designed to replace a portion of your earned income to cover routine living expenses, like the mortgage, groceries, car payments, and other ongoing bills—not the considerable expense of long-term care.

What about government programs? Medicare, like conventional health insurance, generally covers short-term medical problems. Medicaid will pay for some long-term care, but this assistance is available only to those meeting the government's stringent eligibility requirements of financial need. These requirements have been growing ever more stringent. In addition, when you use Medicaid, the government has more control over how and where care is administered.

Can the American family save enough to pay for long-term care out of pocket? The U.S. Department of Health and Human Services' National Clearinghouse for Long-Term Care Information provides these estimates on today's costs. Paying a healthcare aide to come to the home and work eight hours a day averages about \$73,000 a year. Assisted living arrangements average \$32,000 a year, and

# THE PARTICULAR IMPACT ON WOMEN

**AS CAREGIVERS.** In this country, women provide the majority of informal care to spouses, parents, parents-in-law, friends, and neighbors. As caregivers, they play many roles: hands-on care provider, care manager, companion, surrogate decision-maker, and advocate. According to the U.S. Department of Health and Human Services, Office on Women's Health, about 75% of caregivers are women.<sup>1</sup>

The hours women spend caregiving often represent more than time. They represent financial sacrifices: wages lost by reducing work time, dropping out of the workforce, using family leave, or taking early retirement. The U.S. Department of Labor reports that the number of women workers age 55 and older continues to increase. In 2004, women accounted for 30.5% of the workforce.<sup>2</sup>

Many of these women are trying to make up for earnings lost earlier in life when they reduced work time or withdrew from the workforce to rear children. Becoming a caregiver once again hampers their earning power—not just now but in the future. The size of both pensions and Social Security checks depends on accumulating earnings. Withdrawing from the workforce or cutting back on work time further reduces retirement incomes.

Caregivers often help pay for the care of a loved one at a time when their own salaries are lessened or curtailed. Some costs are ongoing, like prescriptions or consumable supplies; others are one-time expenses, like wheel chair ramps and hospital beds. All can mount up. One study found that 49% of Baby Boomer women caregivers suffered "financial hardship" as a result of their caregiving.<sup>3</sup>

Twenty-five years ago, gerontologist Elaine Brody, described women in their 40s caring for both children and parents as the "Sandwich Generation." Yet the circumstances today are even more complicated. With parents living longer and couples starting families later, today's sandwiched woman is likely to be in her 50s or 60s. Many women in their 70s are still working and wrestling with their own retirement issues.

**AS NEEDING CARE.** At the same time that women may—out of necessity—be putting the care of others before their own retirement savings, they are likely facing the prospect of spending their elderly years without a husband. Women, for the most part, outlive men. By age 65, women are three times more likely than men to be widowed.<sup>4</sup> When the time comes, who will care for these widows? Paid or unpaid caregivers? Will the women—daughters, granddaughters, nieces—who live nearby continue the cycle, volunteering as caregivers?

<sup>1</sup> [www.4woman.gov/faq/caregiver.htm](http://www.4woman.gov/faq/caregiver.htm). *Who are our nation's caregivers, bullet #1.*

<sup>2</sup> [www.dol.gov/wb/factsheets/Qf-olderworkers55.htm](http://www.dol.gov/wb/factsheets/Qf-olderworkers55.htm)

<sup>3</sup> *When the Caregiver Needs Care, American Journal of Public Health, 2002.*

<sup>4</sup> *U.S. Census Bureau, 2003.*

a private room in a nursing home with around-the-clock skilled care, averages just over \$70,000 per year.<sup>2</sup> These averages are national.

## THE DILEMMA

How to calculate future costs? As a reasonable example, increase these numbers by 5% compounded annually—the resulting numbers will show that costs will about double every 15 years. Such numbers are causing some of us to wrestle with the problem of living too long rather than dying.

Being on the leading edge of a significantly older population, we don't have the many parts of this dilemma figured out yet. Our families are scattered. We are living longer. Medical science continues to advance. However, sometimes when medicine extends a person's life, that person may no longer be self-sufficient.

In the face of these issues, how do today's families protect themselves financially? The prospect of long-term care is a risk that can drain a family's life savings just as certainly as losing an income through death or paying for major medical expenses. We are the transition generation that may begin adding long-term care insurance to our needs analysis to protect the financial security of our families—and ensure our own care. That also means that we are the generation that will experience the learning curve in this process.

## FACTORS TO CONSIDER

First, both the intelligence of the insurance provider's business practices and the company's long experience in designing and funding insurance products are important. These factors will enable the insurance company to keep its promise to policyowners when they need to use the coverage they've paid for.

How do you judge the capacity to pay? Major ratings agencies can help confirm the company's insurance financial strength. Financially stable and broadly diversified insurance providers earn excellent marks from the four major rating agencies: A.M. Best, Standard & Poor's, Fitch Rating, and Moody's. Northwestern Long Term Care Insurance Company is one of the companies that has earned the highest ratings available from these rating agencies.

Then there's the trust factor, which hinges on the company's integrity, its reputation for doing the right thing in serving its policyowners. Having options is also important. The advantage of today's well-constructed policies is that they offer different kinds of care in several settings: in-home, community-based, assisted living facilities, as well as nursing homes.

<sup>2</sup> National Clearinghouse for Long-Term Care Information, U.S. Department of Health and Human Services, last modified May 25, 2007. [http://www.longtermcare.gov/LTC/Main\\_Site/Paying\\_LTC/Costs\\_Of\\_Care/Costs\\_Of\\_Care.aspx](http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx).

## For more information:

<http://www.4woman.gov/faq/caregiver.htm> covers many topics relevant to caregivers: stresses, support groups, respite care, community programs, Medicare, and Medicaid.

[www.caregiver.com](http://www.caregiver.com) provides information on resources and support groups, illnesses and conditions, books, recipes, and online chats for caregivers.

[www.geocities.com/~elderly-place/support.html](http://www.geocities.com/~elderly-place/support.html) directs caregivers to online support groups for those who cannot leave the house.

Another thing to consider: Does the company have a history of extending new benefits or improvements to existing policyowners so that these policy holders were not penalized by the timing of their purchase? In addition, does the company issue participating policies that may provide dividends? Although dividends are not guaranteed, when they are paid and applied to premiums, policyowner dividends can lower the future cost of the insurance.

Lastly consider this: while our optimistic outlook may encourage us to delay thinking about long-term care issues until we're older, the forty-year old will pay less in the long-run for premiums than the fifty-year-old. There's a distinct financial advantage to incorporating long-term care insurance into financial plans earlier rather than later.

So the good news is that, overall, we are living longer than any people in history. We are armed with information about how to take care of ourselves and guard our good health. What's more, medical breakthroughs and modern technologies are helping us overcome obstacles that would have defeated us only a short time ago. True, we are a nation of resourceful inventors and fixers. But the promise of more tomorrows comes with a certain responsibility to make them as good as they can be.

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*A financial representative (a licensed insurance agent of Northwestern Long Term Care Insurance Company) may contact you.*

*Northwestern Long Term Care Insurance Company (long-term care insurance) is a subsidiary of The Northwestern Mutual Life Insurance Company, Milwaukee, WI (life insurance, annuities and disability income insurance).*

*Northwestern Long Term Care Insurance Company's long term care insurance policy contains exclusions and limitations. The purpose of this material is for the marketing and solicitation of insurance. Policy form RS.LTC.(0708) and RS.LTC.ML.(0708). Policy form RS.LTC.ML.(0708) is only available in New Jersey, New York and Pennsylvania.*

*Long-term care insurance which is tax qualified is triggered when a Licensed Health Care Practitioner has certified an impairment (for at least 90 days) of at least two activities of daily living such as eating, bathing, dressing, or a severe cognitive impairment such as Alzheimer's Disease.*

*Disclosures: The four agencies listed base ratings on the financial strength of the insurance company. These ratings are not recommendations of specific policy provisions, rates or practices of the insurance company. Since its entrance into the long-term care insurance market in 1998, all four agencies have given Northwestern Long Term Care Insurance Company the best possible insurance financial strength ratings. At the time of this publication, our most current ratings are for the following dates: A.M. Best (July 2008), Fitch Ratings (June 2008), Moody's (April 2008) and Standard & Poor's (July 2008).*