Home Equity and At-Need Annuities – A Dynamic Long-Term Care Funding Duo

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Abstract

In a somewhat similar vein to the innovation of tapping the illiquid stored legacy value in life insurance policies through viatical settlements to help many gay men who contracted AIDS in the mid-1980s, the leverage of at-need annuities, combined with the illiquid stored legacy value of home equity, can be helpful in dealing with another scourge—the all-too-frequent uninsured cost of long-term care.

This paper describes the prevalence of the still uninsured long-term care financial risk, and how the at-need annuity/home equity combination can become at-least a "late-in-the-game" insurance solution. Spreadsheet analyses of alternatives for combining them most effectively are discussed, as well as the sensitivities involved and the need to focus the risk/reward choices. The analyses also discuss weaknesses of reverse mortgages and Medicaid in these respects.

The paper also suggests broader implications.

The Cost of Long-Term Care

Chronic care by its very definition involves ongoing care. This can happen at younger ages, but for the most part onset occurs increasingly at older ages as shown in the following Table 2 (my highlight in red):

TABLE 2
Unisex Population Distribution Percent by Year, Age, and Disability Group

	Disability Group					
Attained Age	**I. Non-Disabled**	**II. Mild/ Moderate Disability**	**III. HIPAA ADL Only**	**IV. HIPAA CI Only**	**V. HIPAA ADL + CI**	**Total**
All Years						
All Ages	76.9	12.2	5.6	1.6	3.7	100.0
65-69	90.0	6.3	2.6	0.5	0.6	100.0
70-74	84.6	9.9	3.3	0.8	1.4	100.0
75-79	75.9	13.9	5.5	1.7	2.9	100.0
80-84	63.1	19.0	8.5	2.8	6.6	100.0
85-89	44.1	23.9	14.0	5.0	12.9	100.0
90-94	25.5	24.5	22.3	5.4	22.2	100.0
95-99	12.5	22.3	30.4	4.4	30.4	100.0
Age-Standardized	76.9	12.2	5.6	1.6	3.7	100.0
1984						
All Ages	76.0	12.9	6.3	1.7	3.2	100.0
65-69	89.3	7.0	2.7	0.4	0.7	100.0
70-74	83.3	10.6	4.0	0.9	1.2	100.0
75-79	74.7	14.8	6.1	1.7	2.8	100.0
80-84	60.2	20.9	9.8	3.0	6.0	100.0
85-89	41.6	24.6	16.2	6.1	11.5	100.0
90-94	20.6	25.8	26.9	6.7	20.1	100.0
95-99	---	25.8	41.7	---	24.8	100.0
Age-Standardized	75.3	13.1	6.5	1.7	3.4	100.0

Attained Age	Disability Group I. Non- Disabled	II. Mild/ Moderate Disability	III. HIPAA ADL Only	IV. HIPAA CI Only	V. HIPAA ADL + CI	Total
All Years						
1989						
All Ages	76.5	11.9	5.5	1.8	4.3	100.0
65-69	90.7	5.6	2.3	0.6	0.8	100.0
70-74	84.2	9.9	3.2	1.0	1.7	100.0
75-79	74.4	14.4	5.6	1.9	3.7	100.0
80-84	61.5	18.6	8.6	3.3	8.0	100.0
85-89	41.7	24.5	15.2	5.3	13.4	100.0
90-94	25.4	25.6	19.5	5.6	24.0	100.0
95-99	13.9	21.8	28.6	---	34.5	100.0
Age-Standardized	76.3	12.0	5.6	1.8	4.3	100.0
1994						
All Ages	77.9	11.8	5.2	1.4	3.6	100.0
65-69	90.0	6.3	2.7	0.6	0.4	100.0
70-74	86.0	9.4	2.7	0.6	1.3	100.0
75-79	78.3	12.8	5.1	1.4	2.4	100.0
80-84	66.6	18.0	7.4	2.3	5.7	100.0
85-89	48.0	23.0	11.5	3.9	13.7	100.0
90-94	29.2	22.7	21.8	4.4	21.9	100.0
95-99	15.9	20.8	25.5	7.3	30.6	100.0
Age-Standardized	78.5	11.6	5.1	1.4	3.4	100.0

Eric Stallard, ASA, MAAA, FCA, “Estimates of the Incidence, Prevalence, Duration, Intensity and Cost of Chronic Disability among the U.S. Elderly”, Living to 100 and Beyond, 2008.
Results for age 65+ were age-standardized to the pooled unisex population estimates all years.
"---" denotes suppressed cell with fewer than 11 sample persons.
Author's calculations based on 1984-1994 NLTCS (Nat’l Long-Term Care Survey)
ADL-Activities of Daily Living; CI-Cognitive Impairment; HIPAA-Health Ins Portability and Accountability Act of 1996.

The saving grace in increasing onset at the older ages is that Residual Life Expectancy is generally shorter for later onset as shown in Table 4 of the Stallard paper, though interestingly not for those with ADL+CI.

TABLE 4
Age-Specific Residual Life Expectancy by Age, Disability Group, and Sex

			Disability Group				
Age	**I. Non-Disabled**	**II. Mild/ Moderate Disability**	**III. HIPAA ADL Only**	**IV. HIPAA CI Only**	**V. HIPAA ADL + CI**	**III-V**	**Total**
	Unisex						
65	13.06	2.31	1.03	0.30	0.90	2.24	17.60
75	6.91	2.07	1.05	0.32	1.05	2.42	11.40
85	2.61	1.51	1.06	0.29	1.25	2.61	6.73
95	0.60	0.76	0.97	0.15	1.21	2.34	3.69
65	74.2%	13.1%	5.9%	1.7%	5.1%	12.7%	100.0%
75	60.6%	18.2%	9.2%	2.8%	9.2%	21.2%	100.0%
85	38.8%	22.5%	15.7%	4.4%	18.6%	38.8%	100.0%
95	16.2%	20.5%	26.3%	4.1%	32.9%	63.3%	100.0%
	Males						
65	12.34	1.50	0.72	0.24	0.54	1.50	15.33
75	6.77	1.37	0.74	0.25	0.62	1.61	9.76
85	2.89	1.04	0.81	0.23	0.71	1.75	5.68
95	0.81	0.61	1.24	0.15	0.52	1.91	3.34
65	80.5%	9.8%	4.7%	1.5%	3.5%	9.8%	100.0%
75	69.4%	14.0%	7.6%	2.6%	6.4%	16.5%	100.0%
85	50.8%	18.3%	14.3%	4.1%	12.5%	30.9%	100.0%
95	24.3%	18.4%	37.1%	4.5%	15.7%	57.3%	100.0%
	Females						
65	13.65	2.97	1.30	0.35	1.18	2.83	19.44
75	6.99	2.55	1.27	0.36	1.33	2.96	12.50
85	2.47	1.74	1.21	0.32	1.50	3.03	7.24
95	0.52	0.78	0.99	0.15	1.40	2.54	3.84
65	70.2%	15.3%	6.7%	1.8%	6.1%	14.5%	100.0%
75	55.9%	20.4%	10.2%	2.9%	10.6%	23.7%	100.0%
85	34.1%	24.0%	16.7%	4.5%	20.7%	41.9%	100.0%
95	13.6%	20.3%	25.8%	3.9%	36.4%	66.1%	100.0%

Source: Author's calculations based on 1984-1989 and 1989-1994 NLTCS.

In either case, the financial and emotional cost to the individual, their families and society can be and are significant. Table 6 of the Stallard study shows the cost of care (projected to 2000) by disability group and location.

TABLE 6
Intensity and Cost of LTC Beyond Ages 65, 75, 85 and 95, by Disability Group and Location of Care: Unisex

Age	II. Mild/ Moderate Disability	III. HIPAA ADL Only	IV. HIPAA CI Only	V. HIPAA ADL + CI	III-V	Total
Cost of LTC by Disability Group and Location of Care						
	Average Total Cost of Nursing Home LTC					
65+	$2,449	$17,963	$992	$28,094	$47,048	$49,497
75+	$2,478	$21,109	$1,207	$34,146	$56,462	$58,940
85+	$2,842	$25,357	$1,160	$45,094	$71,610	$74,452
95+	$1,731	$26,424	$737	$48,761	$75,922	$77,653
	Average Total Cost of Purchased HCB LTC					
65+	$2,115	$3,978	$270	$2,995	$7,243	$9,358
75+	$2,104	$3,972	$315	$3,590	$7,878	$9,982
85+	$1,862	$4,601	$343	$4,395	$9,340	$11,201
95+	$992	$4,527	$164	$4,542	$9,233	$10,224
	Average Total Cost of Purchased HCB/NH LTC					
65+	$4,564	$21,940	$1,262	$31,089	$54,291	$58,855
75+	$4,582	$25,081	$1,523	$37,736	$64,340	$68,922
85+	$4,703	$29,958	$1,503	$49,489	$80,950	$85,653
95+	$2,723	$30,951	$900	$53,303	$85,154	$87,877

Source: Author's calculations based on 1984-1994 NLTCS. All costs were inflated to 2000 dollars using the CPI-U Nursing Home Services Index.
HCB – Home and Community Based.

A simplified illustration of the progression chronic care and costs might look something like:

- Care at Home:
  - Full primary caregiver help for two years = $0, but increasing wear on the caregiver and often time away from work.
  - Home healthcare aide for four hours a day, three days a week, for two years, as reality sets in = $24,000.

- **Care in an Assisted Living Facility:**
  - **$4,000 a month for three years, as a further practical matter = $144,000.**

- Care in a Skilled Nursing Home:
  - $6,000 a month for two years, generally as medically necessary, but often if Medicaid financial assistance is needed = $144,000.

Duration, severity, whether coupled or not, and choice can drive these costs way higher, though many people will not experience any of these costs in their lifetimes.

Funding Long-Term Care Costs

Long-term care cost is thus a major potential liability that no one really wants to anticipate, let alone budget for. As a result, compared to other potentially catastrophic financial risks, people have generally not taken direct action to provide for the high cost of long term care should it arise in their lifetimes. "Pre-funding" through long term care insurance has been weak, with penetration rates variously estimated to be less than 10 percent to perhaps 15 percent of market potential.

The following chart of a survey of recent retirees shows people have varied intentions about how they expect to pay for long-term care.

Plans to Pay for Long-Term Care	All Retirees
Personal savings	42%
Private long-term care policy	32*
Spend down investable assets and then be covered by Medicaid	21
Medicare would take care of it	16
Sell home and use proceeds	15
Access home equity line of credit	8
Expect family members to help pay expenses	2
Have not thought about it	15

* This proportion may be higher than found in the general retiree population due to the sample's higher level of assets.

Page 71 of "Will Retirement Assets Last a Lifetime?" research results of survey by The Society of Actuaries' Committee on Post Retirement Needs and Risks, LIMRA and the International Foundation for Retirement Education (InFRE) at http://www.soa.org/research/pension/assets-lifetime.aspx.

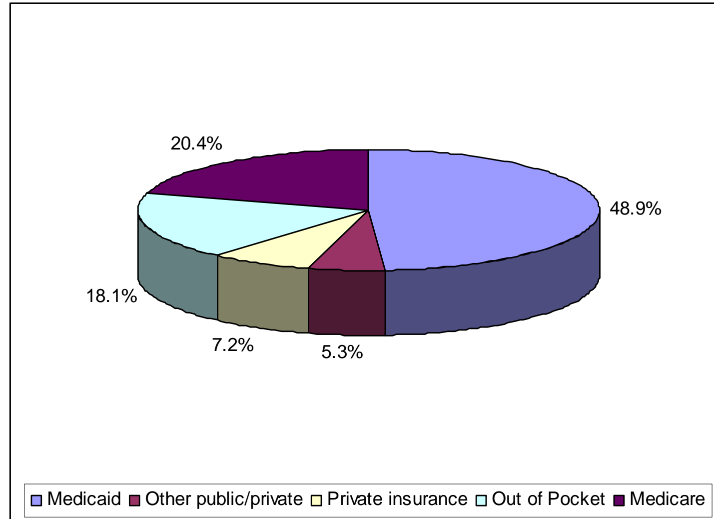
At the low net worth end, people by definition have fewer assets to pay for long-term care to protect from its ravishes, so in this situation they predominantly default to government assistance, and often lower-grade care, through Medicaid.

Some in the middle market buy long-term care insurance (LTCI). However, LTCI is perceived as so expensive that many other middle-market people also default to Medicaid in one way or another. "Partnership" LTCI policies, in fact, are geared to this reality to cost-share with the government under Medicaid.

And at the high end, many assume they will be able to fund chronic care costs from their assets if necessary.

The following chart shows the present overall sources of funding long-term care, though the LTCI portion will likely increase somewhat as it is still a relatively new offering.

National Spending on Long-Term Care



Source: U.S. Department of Health and Human Services National Clearinghouse for Long-Term Care Information at http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx

It is also unclear where the Medicaid portion will head, given the current financial crisis and longer-term projections, but also considering states' efforts to make it more efficient and effective. Nonetheless, it is clear that significant funding will continue to need to come from people privately paying from their assets. Increasing shortages of paid caregivers will also put a bigger premium on private-pay services.

Home Equity as a Store of Value

Home equity is the major component of the net worth of most Americans as shown by the following table.

Net Worth

Ages	**65-69**	**70 to 74**	**75 and Older**
Median Net Worth	$114,050	$120,000	$100,100
Excluding Home Equity	$27,588	$31,400	$19,025

Source: U.S. Census Bureau, Current Population Reports, 65+ the United States: 2005, as reported by the MetLife Mature Market Institute at:
http://www.metlife.com/assets/cao/mmi/publications/studies/mmi-studies-65-profile-20041010.pdf

Remarkably 80 percent of seniors own their own home.

Age of Householder	Third Quarter 2007	Third Quarter 2008
United States	68.2	67.9
Under 25 Years	25.3	23.4
25 to 29 Years	40.5	41.1
30 to 34 Years	55.3	52.6
35 to 39 Years	65.1	64.4
40 to 44 Years	70.8	69.8
45 to 49 Years	73.5	73.8
50 to 54 Years	77.1	76.6
55 to 59 Years	80.3	79.3
60 to 64 Years	82.0	80.9
65 to 69 Years	80.8	81.4
70 to 74 Years	82.2	81.2
75 Years and Over	78.2	78.8
Under 35 Years	42.0	41.0
35 to 44 Years	68.1	67.2
45 to 54 Years	75.2	75.2
55 to 64 Years	81.1	80.0
65 Years and Over	79.9	80.1

Source: U.S. Census Bureau, Housing and Household Economic Statistics Division
http://www.census.gov/hhes/www/housing/hvs/qtr308/q308tab7.html

And while some have a mortgage, 38 percent of those age 55 to 74 have none.

Housing	Ages 35-44	Ages 45-54	Ages 55-74
Homeowner	69%	76%	82%
With Mortgage	57%	56%	44%
Without Mortgage	12%	20%	38%
Renter	31%	24%	18%

Housing: Centers for Disease Control and Prevention, National Vital Statistics Report, at http://www.metlife.com/assets/cao/mmi/publications/studies/mmi-studies-boomer-profile-2007.pdf

As such, disposition of one's home can be a major element of retirement financial planning and management. However, when and how to "dispose" of one's home equity is subject to many variables. A Boston College Survey reported at http://www.reverse-mortgage-information.org/534/reverse-mortgages-babyboomers.php indicates how pre-retiree survey respondents *expected* to use their home equity as summarized in the following Table 4.

Table 4
Plan to Tap Equity: Various Approaches

Response	Age			
	50-54	**55-59**	**60-65**	**All**
Downsizing	54	55	60	55
Home Equity Loan	6	14	20	11
Reverse Mortgage	16	18	5	15
Not Sure	25	13	15	18

Source: Author's calculations from the CRR-Harris Survey, 2007.

While some of this equity has undoubtedly been accessed for use through regular and reverse mortgages, lines of credit, or used by some through downsizing, the degree of continuing home ownership and the percent that are not mortgaged suggests that at least for current retirees, home equity remains a store of value for many late in life. Seemingly home equity hasn't been needed, at least partially, because current retirees have benefited from pensions or are conservative and have been reluctant to use it, often living on less to be able to access it for emergencies or leave it as a legacy (oftentimes sentimentally).

As such, for many people home equity ends up, either planned or by default, as an available store of value to help pay for long-term care costs. This is most fortuitous given the otherwise under-preparation of funds to handle long-term care costs.

Accessing and Using Home Equity in Funding Long-Term Care

So how might home equity be accessed and used for long-term care costs that might arise?

People are generally able to pay for modest long-term care costs at the outset of the need for paid assistance, such as for home care aide for a few hours a day a couple of days a week. This might initially be paid from excess income and by drawing on savings and investments. As such costs persist and increase, it often becomes increasingly clear that home equity will need to be accessed to be able to pay for continuing care.

Many people turn to Medicaid as this point nears, as a home may be retained for a well spouse as a non-counted asset for qualification for Medicaid. However, Medicaid will generally recover its outlays from the sale of the home after the spouse leaves it. As such the equity in the house will eventually pay for the cost of the long-term care, and though later and perhaps not recovered in some states, the recovery is for a higher cost since Medicaid primarily forces more

costly skilled nursing home confinement (though Medicaid does pay lower skilled nursing home rates than one would pay privately). The point here is that even those going the Medicaid route will use their home equity to pay for their long-term care costs.

Many others choose to avoid the limitations of Medicaid (generally only semi-private care in nursing homes, and often less desirable ones) by opting to access home equity directly. Even some people who bought long-term care insurance may need to access home equity if the coverage they purchased was only partial in one respect or another. And wealthy people may also access home equity as a result of incurring very large costs say for lengthy round-the-clock care at home.

The bottom line question is: How might these people most effectively access the store of value in their home equity to pay for long-term, care should it arise? The answer, of course, depends on the particulars of the situation, which can be quite varied. But, it is instructive to look at the basic alternatives.

1. **Sell the Home** - Clearly, one option is to sell the home, put the proceeds in appropriate investment or savings instruments, and withdraw monies from these funds to pay for long-term care as needed. Of course complications could be—the family wants to keep the home for future generations; the home sale market is weak; or tax considerations that can be avoided by a step-up basis at death.

2. **Mortgage the Home** - A second option might be to access the equity through a new or increased mortgage, or a line of credit. A new or increased mortgage of course generally requires regular mortgage payments - an additional monthly outlay. It also involves incurring interest immediately on the whole amount borrowed, whereas the long-term care costs being financed are serial. Line-of-credit borrowing would be a better match, but, if available at all, they usually have lower borrowing limits and carry higher costs. Moreover, as will be discussed below, accessing significant funds up-front provides the opportunity for leveraging those monies.

3. **Reverse Mortgage** - Reverse mortgages (line-of-credit or lump sum) feature no payments on the mortgage until the homeowner dies or vacates the home. The appeal here is that the deferral of payments appears to ease costs. "Appears" because in fact reverse mortgage interest is incurred on an ongoing basis, and principle is not being paid down, so all other things being equal, the accumulation of the payments on a traditional mortgage will equal the difference between the accumulating loan on the reverse mortgage over the reduced loan on the traditional mortgage. But all things are not the same. On a reverse mortgage, closing costs and interest rates are generally higher, and interest is not tax deductible until paid when the house is sold, so in fact incurred costs are higher under a reverse mortgage! And, of course, the reverse mortgage must be terminated when a single owner needs to move to a care facility.

Leveraging Home Equity's Store of Value With an At-Need Annuity

In those cases that a line of credit isn't sufficiently available or doesn't work as well, front-end net proceeds from home equity can be leveraged by a so-called at-need impaired lifetime payout annuity to facilitate ongoing (for life) private payment of long-term care costs, sometimes enabling such lifetime payments that might not otherwise be possible.

At-need impaired lifetime payout annuities recognize the shorter life expectancy of people needing long-term care, and thusly offer higher lifetime annuities payments than would be paid to someone who is not impaired—hence providing the leverage for paying the high ongoing cost of long-term care. Under these annuities, applicants are individually underwritten to determine their particular life expectancy, and then offered annuities with payout rates geared to these evaluations.

Depending on the person's age, gender, type and degree of impairment, an annuity paying 20, 25, or even 30 cents on the dollar of purchase payment might be offered. For example, $200,000 of mortgage or net proceeds from the sale of the home might thus generate $40,000+ a year for as long as the person lives, to be used towards long-term care and any other living costs (including the payment on a traditional mortgage if that is the desired approach). Optional "early" death benefit and increasing payout options are also available and may be of value (though they lower the payout to purchase payment leverage ratio).

Real Life Example

An example from real life—my mother-in-law—will illustrate how this leverage can pay off.

My mother-in-law, a widow, living in her own mortgage-free home, was diagnosed with dementia with tendencies to wander on her 84th birthday. There was a power of attorney in place, but unfortunately in California, a power of attorney does not extend to placing a person in a secure facility, even an assisted living facility. So we were forced to seek Conservatorship (which was finally granted after too much and likely too common trial and tribulation and money, but that is another story).

Under Conservatorship, the courts must approve all financial arrangements, with disposition of the Conservatee's home and of loans of particular jurisdiction. Moreover, at least in the county involved with my mother-in-law, the courts were known to not be favorably inclined to annuities (as an actuary focused on the development of products and services for seniors, I realized that this inclination against annuities was more a result of attempts to sell high commission/long surrender charge period <u>deferred</u> annuities to Conservators on the one hand, and the not uncommon reaction of people to lifetime annuities as being very risky if the annuitant died "prematurely.")

To complicate matters a bit further, she had an LTCI policy on which she had paid premiums for almost 20 years (and unfortunately was thus primarily a nursing home only policy with a maximum benefit of “only” $200,000).

I cite this case because:

- of the high level of review involved with using an at-need annuity with home equity;
- the situation didn’t allow two alternatives—Medicaid wasn’t available with assets still available to provide for the Conservatee with the “least restrictive” care available as required under Conservatorship; and a reverse mortgage wasn’t possible because my mother-in-law no longer resided in her house;
- it shows that even with a LTCI policy, there may be reasons to pay for long-term care out of personal funds; and
- it affords some discussion of the emotional issues involved, though it is only one case, and as said above, each case and its options must be explored individually, particularly because there are so many emotional and financial conditions involved.

More specifically, my mother-in-law had sufficient cash to fund her staying in an assisted living facility that was consistent with her level of sophistication and appreciation of reasonably fine living—at least for a few years. We rented her home and she had Social Security income. But inflation in her living costs, and court, legal, conservatorship costs, drained those funds in a few years to the point that by age 88 we had to either access the equity in her home or put her in a skilled nursing home which would be paid for about three years by her LTCI policy. The courts would undoubtedly have gone along with the latter, but she was content in the assisted living facility, and even the best of the nursing homes did not seem right for her. Luckily, we found a lawyer who was willing to listen to how we saw the situation and present our thinking to the courts.

Basically, the presentation to the court was based on spreadsheet projections of her income and outgo, including options for using her home equity, together with (or not) an at-need annuity offered by an insurance company to pay 27.4 cents on the dollar of purchase payment for as long as she lived.

Whereas selling the house would cover her projected costs to 93 (and leave an estate if she died before then), it wouldn’t cover her beyond 93. Moreover, housing prices had already started to diminish, selling might take some time, incur capital gains taxes, and the nature of her retirement community property suggested reasonable long-term value. Just taking a mortgage on the house would have run into trouble even faster. But mortgaging the house and buying the at-need annuity with the net proceeds produced leverage of 20 cents on the dollar (27.4 for the annuity less 7.4 cents for the mortgage), which projected to enable her to continue to have the excellent care and comfort afforded by the assisted living facility for the rest of her life.

Convincing the court was accomplished not only by the projections, but educating them that, and I quote from the petition:

> "The income-generating annuity proposed by Petitioner will generate a guaranteed monthly income of [$XX,000], 27 cents per dollar of premium, to [the Conservatee] for the rest of her life. As established in this Petition, this income is necessary to provide [the Conservatee] with the money to cover her living expenses and allow her to remain at [the assisted living facility] or some equivalent facility for the rest of her life. If, as Petitioner hopes and expects, [the Conservatee] is likely to live many more years, an annuity is the only means through which this can be accomplished, since the payments are enhanced by its survivorship element and guaranteed for the life of the annuitant rather than for a fixed period.
>
> A lifetime annuity might be thought of as a risky investment for a person of [the Conservatee's] age and dementia. The heirs of such an elderly person might protest since the potential estate might be diminished by the death of the annuitant before recovering the cost of the annuity through income payments. And while that is true, the whole purpose of the purchase of an income annuity is to mitigate the bigger risk of not being able to have sufficient income if the annuitant lives longer than the average expected of her age and health. However, in this case [the Conservatee's] heirs are Petitioner and her sister [____] and they are in agreement that the purchase of the annuity is necessary for their mother's lifelong health, safety, and happiness, and they believe that the purchase of the annuity is thus in [the Conservatee's] best interests. The fact that Petitioner and [_____] will inherit less money if [the Conservatee] should die before recouping the cost of the annuity is not as material to them as that [the Conservatee] be able to remain at [the assisted living facility] or an equivalent facility and obtain the best level of comfort and care for the rest of her life her resources can provide."

Ironically, my mother-in-law became gravely ill two months after the court approved of the plan, the mortgage was obtained, and the life-only (no death benefit to maximize the leverage) annuity was purchased. After a while, her doctor recommended hospice because he judged that she was in the process of dying. Interestingly, my wife and I separately felt OK about our decision because it removed the financial aspects of making the life and death decisions for her. Needless to say, my mother-in-law is doing very well a year later!

Concluding Observations

Several broader observations are suggested by these analyses:

1. Home equity is a store of value that can be useful for late-life financial needs; access for retirement income should be approached with care.

2. Financing long-term care might be approached using more than just LTCI. In fact, many people might be right in not buying it or buying only limited amounts.

3. A limitation in partnership policies is that Medicaid, which it facilitates, compromises quality of care. However, since partnership benefits have limited or no cost, they certainly are a valuable option as long as the base LTCI coverage makes sense.

4. At-need annuities can be very useful in paying for long-term care, using home equity or other funds. However, the options, pros and cons, and emotional issues involved need to be carefully explored with the parties involved.

Some look on life annuities as a sadistic bet with an insurance company. Others might consider them a hedge against living “too long”. But at-need annuities clearly show the leverage aspects of these products. And our experience with my mother-in-law clearly shows the peace of mind they can enable.

Enhancements to these products, though, are still needed to improve further their attractiveness.