



Retirement Survey Report Key Findings and Issues:

Planning for Personal Long-Term Care Risk

2017 Risks and Process of Retirement Survey Report

ACKNOWLEDGMENTS

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The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group nor the SOA as a whole.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

The 2017 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at www.soa.org.

Introduction

The Society of Actuaries (SOA) has sponsored a number of studies to learn about how Americans are faring in retirement, what they are doing to manage post-retirement risks, how their situation changes during retirement and how shocks have impacted them.

Starting in 2001, the SOA has studied Americans' assessments of post-retirement risks and their views on the management of those risks. *The 2017 Risks and Process of Retirement Survey* (the 2017 Risks Survey), conducted on the SOA's behalf by Greenwald & Associates, is our ninth biennial study in this area.

The SOA has also conducted a series of focus groups and in-depth interviews to learn how people fared at different stages of retirement. For instance, the SOA did surveys and in-depth interviews with people age 85 and older in 2017, focus groups with people retired 15 years or more in 2015, and focus groups with people retired under 10 years in 2013. Information about these surveys appears later in this report.

The topic of planning for long-term care was a major area of study in the 2017 Risks Survey. It was also addressed in SOA's 2017 research on people age 85 and older, which included in-depth interviews and two surveys, and in the 2015 interviews with caregivers of those retired 15 years or more who were unable to participate directly in the research.

This special topic report brings together findings from the preceding studies and other research as well. The purpose is to provide multiple perspectives on relevant long-term care planning issues facing Americans today. For insights into what people expect in their older years, especially with their plans and experiences, this topic report also includes direct quotes from SOA research participants, plus an Appendix listing a number of other relevant resources and reports.

This report can be read as a companion study to another 2017 SOA special report, a report that addresses elder caregiving and support. It is listed in the Appendix. Other SOA special reports provide still more perspectives gleaned from the 2017 research on such topics as financial wellness and housing issues facing older Americans.

The SOA has taken this comprehensive approach to examining long-term care planning due to the pressing need for care solutions. The American population is expanding rapidly, with the result that families and care professionals are searching for effective ways to address the health and support issues and opportunities these oldest individuals encounter.

WHAT IS LONG-TERM CARE AND WHAT HELP DO SENIORS NEED?

In general, long-term care is commonly understood to refer to the help and support that people need when they have substantial physical and/or cognitive limitations. Some commenters refer to long-term services and supports rather than long-term care.

Not all people who are thinking about this type of care share this or other definitions. Sometimes this is because they are relying on definitions that may not be clear, not widely understood by others, or not remembered accurately. This can create confusion when planning, especially since perceptions about long-term care can influence how people feel about the subject. That, in turn, can affect how they approach planning for such care or if they will even do some planning. These differences in interpretation and planning can be seen in the SOA survey results highlighted in this report.

Where long-term care insurance is involved, the understandings are more specific. This is insurance coverage that people may buy to help pay for care when the insured person qualifies for benefits. The benefits are stated in the insurance contract. A long-term care policy may, for instance, pay a specified benefit amount if the insured needs help with two or three of six activities of daily living, such as toileting, bathing, dressing, eating, mobility and transferring. Such details are spelled out in the policy contracts.

IMPORTANT: Those who are involved with insurance and financing programs have specific definitions that trigger eligibility for long-term care benefits. But the specified benefits do differ between contracts, so careful review is critical. Some types of help, such as home repairs, are typically not covered.

Key Findings and Perspective

Long-term care has been recognized as a key post-retirement issue throughout the 20 years of the SOA focus on public perceptions and knowledge about post-retirement risks. In each survey, the topic has emerged as one of the top three risks of concern to both retirees and pre-retirees. Some key points raised in this research include:

PLANNING FOR CARE

- Several studies show that Americans underestimate the amount of long-term care they may need, and they are overly optimistic about having resources to pay for it.
- Just as they do not plan for most longer-term risks, many people do not plan for long-term care costs or for how to get the long-term care they might need.
- Yet respondents in SOA's research on Americans over age 85 showed substantial confidence about paying for long-term care.
- Although family is often very involved in providing care once needed, family members are usually not involved in the planning beforehand.
- Widows plan for long-term care more frequently than do retirees in general.

PAYING FOR CARE

- Shorter-term cash-flow-based planning that works satisfactorily for many people during retirement no longer works effectively when people need assisted living, extensive paid long-term care at home, or nursing home care.
- Americans overestimate how much of their long-term care costs will be covered by Medicare and supplemental insurance. However, they underestimate the potential burden that may be placed on those who will help them.
- Only about 10% of Americans have long-term care insurance.
- Medicaid is a significant and important payor of long-term care costs for lower-income individuals in the United States. The SOA studies do not cover how often and at what points Medicaid is involved in paying these costs.

CAREGIVING

- Long-term care is most often provided informally by family members or friends, and the costs for such informal care (financial and otherwise) are not generally recognized in the tallies of total care costs. People generally do not pre-plan for care provided by family and friends.
- Adult children more often offer their parents hands-on assistance with a variety of chores, not necessarily financial support for paid care.
- Other SOA research documents underscore the message that extensive long-term care is a major problem for those retirees who need it.

About the Research

THE SOA 2017 RISKS SURVEY

This research was designed to evaluate Americans’ awareness of retirement risks and how these perceptions affect feelings of financial security. From June 20 through June 30, 2017, the researchers completed a total of 2,258 online interviews (1,030 pre-retirees, 1,025 retirees and an additional 203 interviews among retired widows) lasting an average of 20 minutes.

Individuals were selected for participation using Research Now’s nationwide online consumer panel. Respondents were classified as retired if they described their employment status as retired, or if they said they had retired from a previous or primary career, or were not currently employed and were either age 65 or older or had a retired spouse. All other respondents were classified as pre-retirees.

The sample data were weighted by age, sex, education and household income to match targets obtained from the March 2016 Current Population Survey (CPS) conducted by the U.S. Census Bureau. From 2012 on, researchers conducted the SOA Risks Surveys online. Previously, from 2001 to 2011, the researchers used telephone interviews for these surveys.

The full name of this study is the *2017 Risks and Process of Retirement Survey*. But in this report, its abbreviated name is the 2017 Risks Survey.

THE SOA 2015 AND 2017/2018 LATER IN RETIREMENT STUDIES

SOA supplemented its long-term care findings from its 2017 (and earlier) Risks Surveys with other “Later in Retirement” research in 2017 and 2015. These additional studies also probed long-term care issues and planning.

In 2017, the other research included in-depth interviews and two surveys focused on the age 85 and older population; the two surveys were a telephone survey of age 85 and older individuals and an online survey of adult children of individuals age 85 and older. In 2015, the long-term care findings came from in-depth interviews that SOA conducted with family members assisting people who were receiving long-term care.

The following table shows the full names of these three “Later in Retirement” studies, and their abbreviated titles as used in this report:

FULL TITLE OF ORIGINAL REPORT	ABBREVIATED TITLE
<i>Post-Retirement Experiences of Individuals 85+ Years Old: A Report of Surveys of Individuals Ages 85 and Over and Adult Children with Parents 85 and Over (2017)</i>	85+ Surveys: Individuals 85+ and Adult Children
<i>Post-Retirement Experiences of Individuals 85+ Years Old: A Report on Sixty-two In-Depth Interviews in the United States and Canada (2017)</i>	85+ In-Depth Interviews
<i>Post-Retirement Experiences of Individuals Retired for 15 Years or More: A Report on Twelve Focus Groups and Fifteen In-depth Interviews in the United States and Canada (2015)</i>	2015 15 year+ Retirees

85+ Surveys: Individuals 85+ and Adult Children

This 2017 research looked at both elders (age 85 and older) as well as their adult children.

About the research on elders: In October 2017, on behalf of the SOA, Greenwald & Associates conducted 201 telephone interviews focused on individuals age 85 and older. On average, the interviews lasted 23 minutes.

To qualify for participation in the telephone survey, potential respondents had to have less than \$400,000 in assets; at least 45% needed to have assets of less than \$50,000. Due to the advanced age of the population, a majority of respondents were women and widowed.

About the research on adult children: Also in 2017, SOA decided to conduct interviews to corroborate the elderly study and to include people whose health or hearing would not allow participation in the telephone survey. For this research, the sampling included 202 online interviews among adult children in December 2017, lasting 19 minutes on average.

To qualify for participation in this survey, the adult children needed to have at least one living parent or step-parent who was age 85 or older and be close enough to that older person to have some knowledge of the elder's finances, health status and cognitive ability. Forty percent of the online sample had to have a living parent or stepparent age 90 or older. The parent or step-parent had to have less than \$400,000 in financial assets with at least 40% having under \$50,000.

85+ In-depth Interviews

In 2017, SOA commissioned 36 one-hour, in-depth interviews in the United States and 26 in Canada with a mix of elderly participants, children of elderly parents or in-laws and dyads (two-person groups) consisting of elderly participants and their adult children. The interviews were conducted in March and April 2017.

To qualify for participation in the research, the elderly people had to be age 85 or older, with one-third over age 90. The participants represented a combination of married and unmarried individuals and those with financial assets of more and less than \$50,000. The participants all had less than \$400,000 in assets, and no more than two per location had more than \$400,000 in equity in their houses. Participants could not have pension income of more than \$2,500 per month.

2015 15 year+ Retirees

In August 2015, trained interviewers at Greenwald & Associates conducted 15 in-depth interviews on behalf of the SOA with relatives who provide financial advice to someone who requires long-term care. Research Now oversaw recruitment for the interview subjects, who included both Americans and Canadians. The interviews lasted 30 minutes each.

To qualify for participation in the in-depth interviews, the subjects needed to be spouses or children of a person who had been retired 15 years or more and who was in need of long-term care. The participants had to have knowledge of their loved one's finances and also be involved with long-term care decisions. The interviewed individuals had to be caring for someone who received less than \$2,000 in pension or annuity income and have less than \$700,000 in total assets (not including the value of their home). All participants must have served in their role at some point in the past five years.

This study was done at the same time as focus groups with people retired 15 years or more. One of the purposes of the interviews was to understand the situation of those retirees who were receiving significant long-term care, and to provide balance to the total study.

DIFFERENCES IN POPULATION STUDIED

Because the samples for the different studies are quite different, the variations in the samples should be taken into account when comparing results. The differences in the groups also applies when reviewing combined results from multiple studies when they appear in a single graphic.

Here are some key population details:

- The 2017 Risks Survey included people at all income levels and at ages 45 to 80. There is no reason to expect that the distribution skewed to any particular income level.
- All of the focus groups, in-depth interview studies, and the age 85 and older surveys were conducted with financially resource-constrained retirees.
- The adult children of people retired 15 years or more who were interviewed in 2015 had parents who were relatively unhealthy. The purpose of these interviews was to add information into a broader study to represent people who could not participate in focus groups. As noted earlier, the interviews were limited to people with less than \$700,000 in total assets (not including the value of their home).
- The people interviewed in 2017 for the age 85 and older study included a mix of individuals, adult children, and a combination of parents and adult children. Assets were limited to less than \$400,000.
- The sample for the survey of adults age 85 and older was likely healthier than the total population at these ages since, to be interviewed, they needed to have the capacity to respond over a telephone.
- The parents of the adult children sampled were probably less healthy since half or more of the latter group reported that their parents had limitations that required assistance with personal care (56%) or hearing issues (49%), and four in 10 (42%) had parents with moderate to severe cognitive decline. For such elders, these issues would likely have precluded participation in a telephone study. Also, the study required that the children be knowledgeable about their parents' financial situation, and this might not have been the case for children of many parents who were living independently without their support.
- Note that for all of the surveys, the researchers asked some questions of the entire population and some of a subpopulation. The figure accompanying the question indicates the population base for that question.
- An examination of telephone survey results of people age 85 and older confirms some characteristics of the group. Less than 10% of the telephone sample required a great deal of assistance in daily living. Also, because of the sample's advanced age, most were female, and most were widowed. Due to these demographic differences, these results differ from the results for the adult children surveyed.

HOW MEDICARE AND LONG-TERM CARE FIT TOGETHER

Medicare does not cover most support with day-to-day tasks, even though consumers often view many such tasks as long-term care. Even so, as the following list illustrates, Medicare does provide benefits for some services that are often viewed as long-term care:

- Medicare covers 20 days of care in a skilled nursing facility after a three-day or longer in-patient hospital stay.
- Medicare covers an additional 80 days in a skilled nursing facility with a daily copayment of \$170.50 in 2019.
- Medicare covers home care including some part-time and intermittent skilled nursing care, physical therapy, occupational therapy and some social services. To be eligible for such care, an individual must be homebound, be under the care of a doctor and have an approved plan of care.
- Some durable medical equipment is covered with a 20% co-payment.
- Medicare Advantage plans cover the same basic services, and they may offer additional services to help people who need support.
- Medicare does not cover meals delivered to the home, custodial care or homemaker services. Most help often considered to be long-term care is not covered by Medicare. However, for families that are trying to help loved ones stay at home, and to take care of them there, Medicare does provide coverage for certain types of at-home support; for instance, it covers the cost of some home skilled nursing care and/or therapy. This can sometimes make the difference between a situation that can be managed at home and one that cannot. How important and helpful this care is depends entirely on the situation.

Introduction to Findings

The findings of the research appear here in four sections. Each section will include some findings from the research, a discussion of the findings by the researchers, some SOA comments and perspectives, and where appropriate, some individual quotations from the qualitative research. More details can be found in the underlying reports on projects mentioned.

The four sections are:

1. Understanding and concern about long-term care risk
2. Planning for long-term care risk
3. Perceived likelihood of needing long-term care
4. How long-term care would be paid for

A review of long-term care highlights will help deepen understanding when examining these sections.

As pointed out earlier, support including long-term care comprises a variety of different needs and situations. The need for help may start with people requiring assistance with sometimes awkward tasks such as changing a lightbulb, or when a task requires heavy lifting. Some people may need to be driven places or, at the extreme, need help with the activities of daily living such as bathing, eating, using the toilet, transferring from bed, and so on. For some, it may start with a mild form of cognitive decline.

As the need for help increases, the help required begins to be considered long-term care, though perhaps at different points in life for different population segments. Views differ about which type of help is considered long-term care, and it is not uncommon to see different assessments depending on who is providing the information. However, most people do understand that many older people will eventually need some form of help and that the percentage needing help increases with age.

Long-term care insurance policies typically have specific definitions linked to the inability to perform two or three activities of daily living. In addition, tax law defines what is considered long-term care for purposes of favorable tax treatment of long-term care benefits paid under those policies. This brings policyholders a certain amount of clarity around types of help for which they might claim insurance benefits.

Heads up: Most older people who need some help initially would not qualify for long-term care insurance benefits.

This typically changes as the needs become more pronounced and in line with the policy benefit requirements.

The SOA survey respondents were representative of the general population, so their statements provide a valuable window into their current thinking about long-term care. The takeaway from their responses is that many people do not think about or plan for long-term care as a health matter, and many have substantial gaps in financial literacy that would enable them to address their long-term care issues more proactively.

Long-term care risks are closely related to the risks associated with caregiving help. The SOA researchers cover this topic extensively in a separate report, titled *Trends and Thinking on Caregiving and Intergenerational Care Support*. The risks in both cases range from not planning for long-term care to not finding care helpers and not knowing how to fund care, wherever provided.

The SOA researchers found that friends and family tend to provide the most help and support, particularly when needed at a modest level. Women are more likely to provide hands-on help than are men, and family members are often heavily involved when elderly family members need help. That leaves those without available family at a major disadvantage when care needs are greatest.

Detailed Findings

SECTION 1: UNDERSTANDING AND CONCERN ABOUT LONG-TERM CARE RISK

Overall Trend

Americans, especially those not yet retired, are concerned about paying for long-term care, according to the 2017 Risks Survey. Despite this high level of concern, elderly Americans—those age 85 and older—and their children are fairly confident about covering costs.

Specifically, the survey found that a majority of Americans were concerned about affording long-term care. Compared to retirees, Americans still working were especially concerned about this risk (73% pre-retirees, 65% retired widows, and 59% retirees). In fact, Americans were generally more concerned about financing long-term care (66%) than about maintaining a reasonable standard of living for the rest of their lives (59%) and depleting their savings (60%).

Concern about paying for long-term care was higher among women (78% pre-retirees, 65% retirees) than men (68% pre-retirees, 53% retirees) and lower income retirees (68%) and pre-retirees (78%) compared to their higher income counterparts (45% retirees, 69% pre-retirees).

The survey also asked about what factors were important in choosing where to live in retirement. Proximity to quality health care and/or hospitals was the top-rated characteristic. The percentages indicating that proximity to quality health care was very or somewhat important were 86% pre-retirees, 89% retirees and 91% retired widows. Being located near family also ranked as important (75% pre-retirees, 70% retirees, 81% retired widows).

SOA Discussion

Paying for long-term care has been one of the top three risk concerns for Americans in all nine of the SOA Risks Surveys.

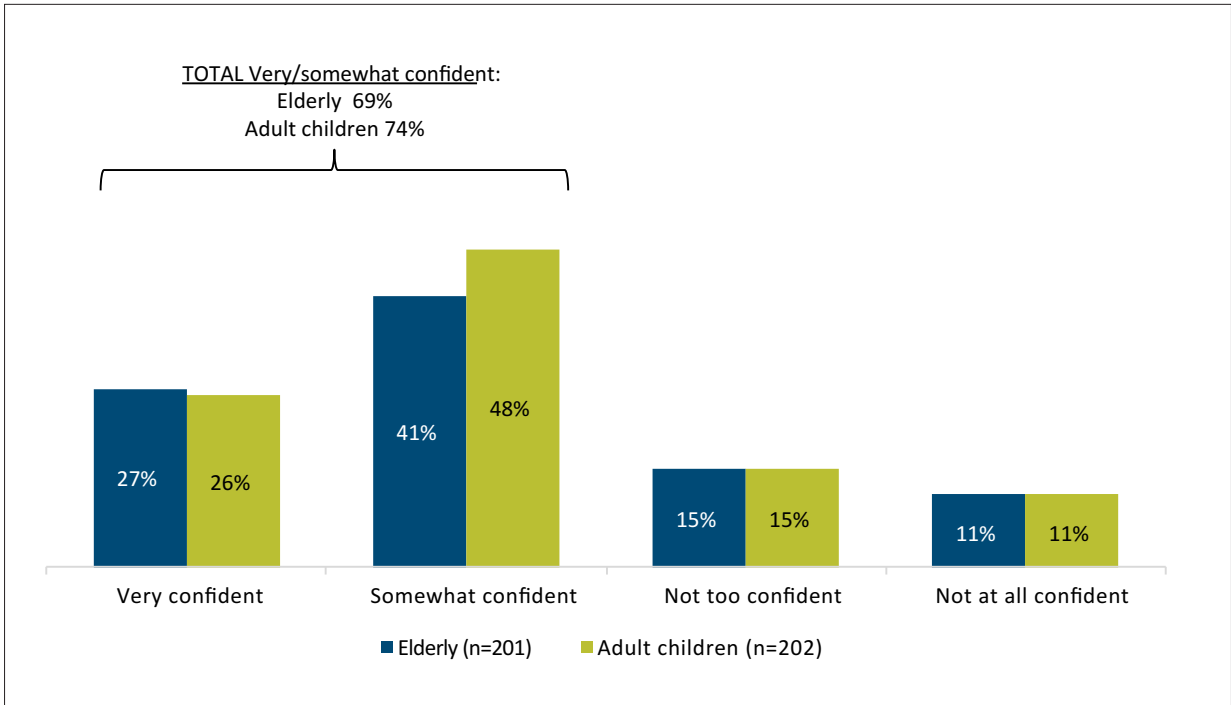
Both access to health care and family are considered important factors as people age. People in rural areas may find it very difficult to get specialized care and may have to travel quite a long way to get such care. This increases the need for help.

Other SOA research has shown that a major long-term care event can derail retirement security, yet relatively few families are prepared to pay for a long period of long-term care. Medicaid may take over payment for families who spend their assets down.

Chart 1: Confidence in Covering an Unexpected Expense

QUESTION TO ELDERS: OVERALL, HOW CONFIDENT ARE YOU THAT YOU (AND YOUR SPOUSE/PARTNER) HAVE THE FINANCIAL RESOURCES YOU NEED TO COVER UNEXPECTED EVENTS SUCH AS NEEDING MAJOR MEDICAL CARE OR LONG-TERM CARE, OR THE DEATH OF A SPOUSE?

QUESTION TO ADULT CHILDREN: OVERALL, HOW CONFIDENT ARE YOU THAT YOUR [ELDERLY REFERENCE] [HAS/HAVE] THE FINANCIAL RESOURCES [HE NEEDS/SHE NEEDS/THEY NEED] TO COVER UNEXPECTED EVENTS SUCH AS FOR MAJOR MEDICAL CARE OR LONG-TERM CARE, OR THE DEATH OF A SPOUSE? ARE YOU . . . ?



*Don't know responses not included in analysis
Source: The 85+ Surveys: Individuals 85+ and Adult Children

Survey Findings

Seven in 10 elderly participants in the telephone survey were at least somewhat confident that they could afford an unexpected expense, such as long-term care. A little larger share of adult child respondents in the accompanying online survey, three in four, said they are at least somewhat confident that their adult parents could afford an unexpected expense in this area.

Among adult children, the income of their parent influenced their confidence in being able to afford long-term care. Those whose parents' monthly income was in excess of \$2,000 per month were more confident the parent could afford an unexpected expense compared to children of lower income parents (87% versus 61%). But an adult child's asset level did not influence the confidence placed in their parents' ability to afford an unexpected expense.

Discussion

It seems very likely that many families are overconfident about their ability to pay for long-term care. However, the out-of-pocket cost for long-term care varies greatly.

The SOA research also indicates that many people do not plan for long-term care expenses. This suggests that the level of confidence is inconsistent with the level of planning.

QUALITATIVE QUOTES

“For example, if I cannot take care of myself and I need to go into say assisted living, I don’t think I can afford to go into an assisted living at this point.”—*Low-asset elderly female, 85+ In-depth Interviews*

“I said to myself that I do keep myself healthy, and I am hopeful I won't have any problem like that. But with three wonderful kids, if anything came up, they would probably help me. That is all I am going to worry about. So, I don't have insurance.”—*Higher-asset elderly male, 85+ In-depth Interviews*

“First of all, you really need to make sure that you’ve got coverage. Whether it’s savings; whether it’s insurance. Having an agreement drawn up so family relationships aren’t damaged. To be prepared and be ready for that.”—*Adult child of elderly male, 2015 15 year+ Retirees*

“I did not realize how stressful this is, this whole situation, because I am looking after a house, a large house and at the same time looking after her nursing care and then she has obviously a private account in which she has her spending money for spa treatments and hair dresser and she spends a lot of money every month doing those kind of things.”—*Adult child of elderly female, 2015 15 year+ Retirees*

SECTION II: PLANNING FOR LONG-TERM CARE RISK

Overall Trend

Feelings of preparedness to pay for skilled long-term care if it were needed vary. A majority of elderly participants in the 85+ Surveys: Individuals 85+ and Adult Children said they feel prepared to afford their own long-term care needs and that they felt prepared when paying for their spouse’s care.

Fewer adult child respondents said their elderly parents were prepared, however, and only about half said their parents were at least somewhat well prepared.

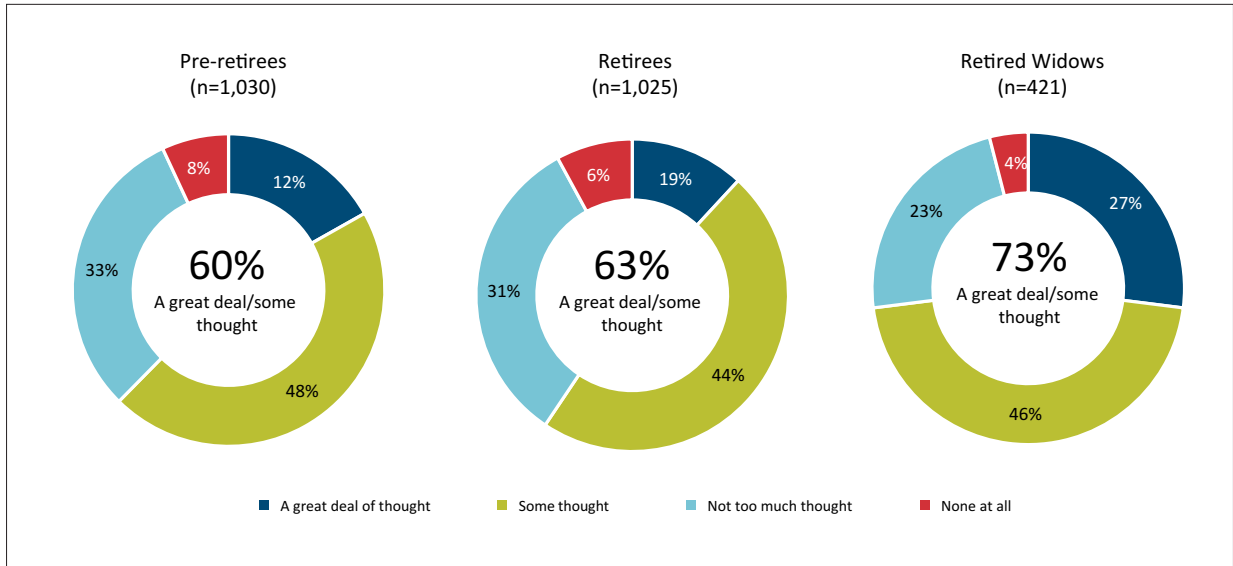
Despite high levels of concern, not many pre-retirees and retirees indicated they are giving a great deal of thought to how long-term care would be provided to them. Notably, more retired widows than pre-retirees and retirees overall indicate they have given this topic a significant amount of thought.

Among various long-term care solutions and products, participants in the 2017 Risks Survey were most familiar with Medicare, with retirees voicing more familiarity than pre-retirees. By comparison, Americans have less familiarity with Medicaid, long-term care insurance, reverse mortgages, longevity insurance or deferred income annuities.

Saving is the most prevalent way that pre-retirees and retirees said they are planning to cover long-term care costs. Outside of saving and cutting back, even among the elderly, few indicated they are taking steps to prepare to pay for long-term care.

Chart 2: Amount of Thought Given to Long-Term Care

QUESTION: HOW MUCH THOUGHT HAVE YOU GIVEN TO HOW YOU WILL RECEIVE LONG-TERM CARE, SHOULD YOU NEED IT AS YOU AGE, AND WHO WILL PROVIDE CARE FOR YOU?



Source: The 2017 Risks Survey

Survey Findings

A majority of Americans are not giving long-term care risk a great deal of thought. Among pre-retirees and retirees, however, about three in five said they have given at least some thought to their long-term care risk. Among retired widows nearly three-fourths of those surveyed (73%) indicated they had considered the topic with a significant amount of thought.

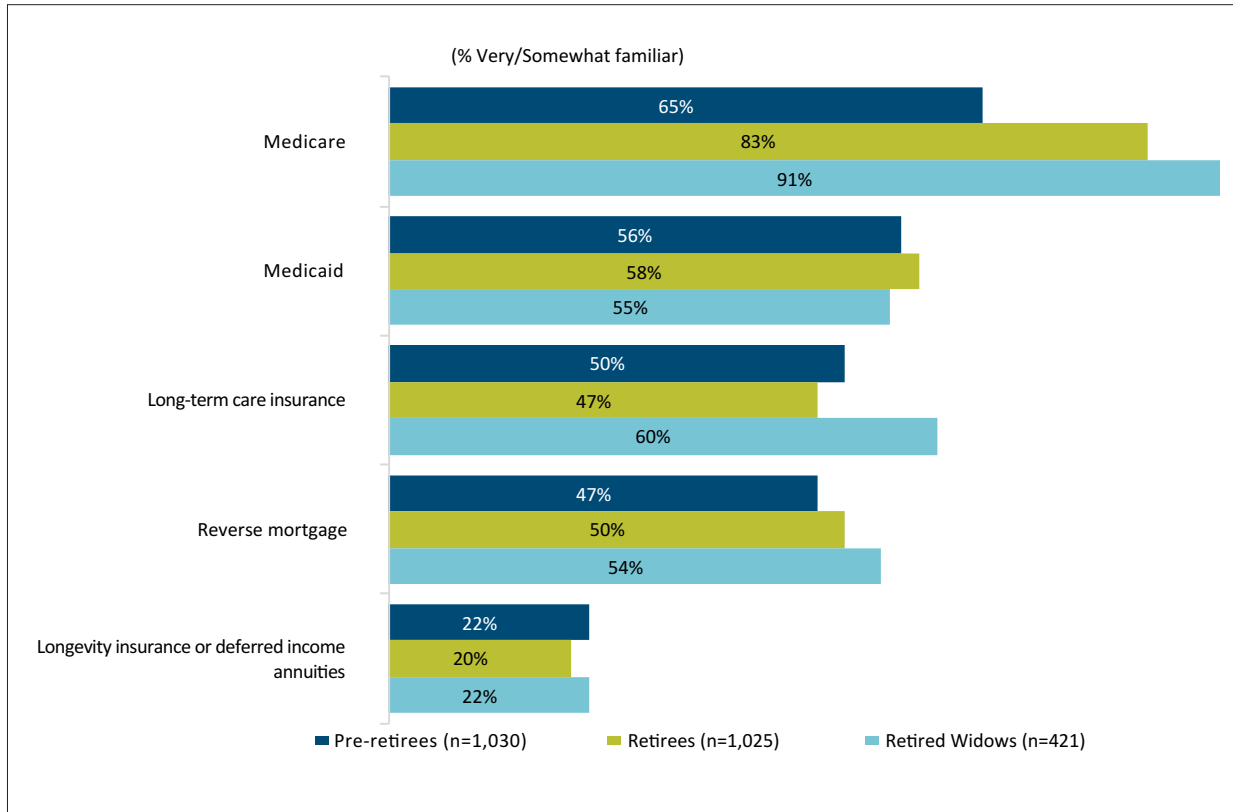
Discussion

Other SOA research indicates that the majority of Americans are not prepared to pay for a long-period of long-term care provided by paid caregivers, or in assisted living or a nursing home. SOA research also indicates that a sustained need for paid long-term care is a major problem for many middle-income families.

Failure to focus on long-term care is one of the biggest gaps in retirement planning. This is not surprising since many households have short planning horizons.

Chart 3: Familiarity with Long-Term Care Solutions

QUESTION: HOW FAMILIAR ARE YOU WITH THE BENEFITS PROVIDED BY THE FOLLOWING PROGRAMS/PRODUCTS . . . ?



Source: The 2017 Risks Survey

Survey Findings

Among various long-term care solutions and products, Americans in this survey said they are most familiar with Medicare. Compared to pre-retirees, retirees and retired widows were more familiar with Medicare. About half of Americans were familiar with Medicaid, long-term care insurance and reverse mortgages. Only about one in five were familiar with longevity insurance or deferred income annuities.

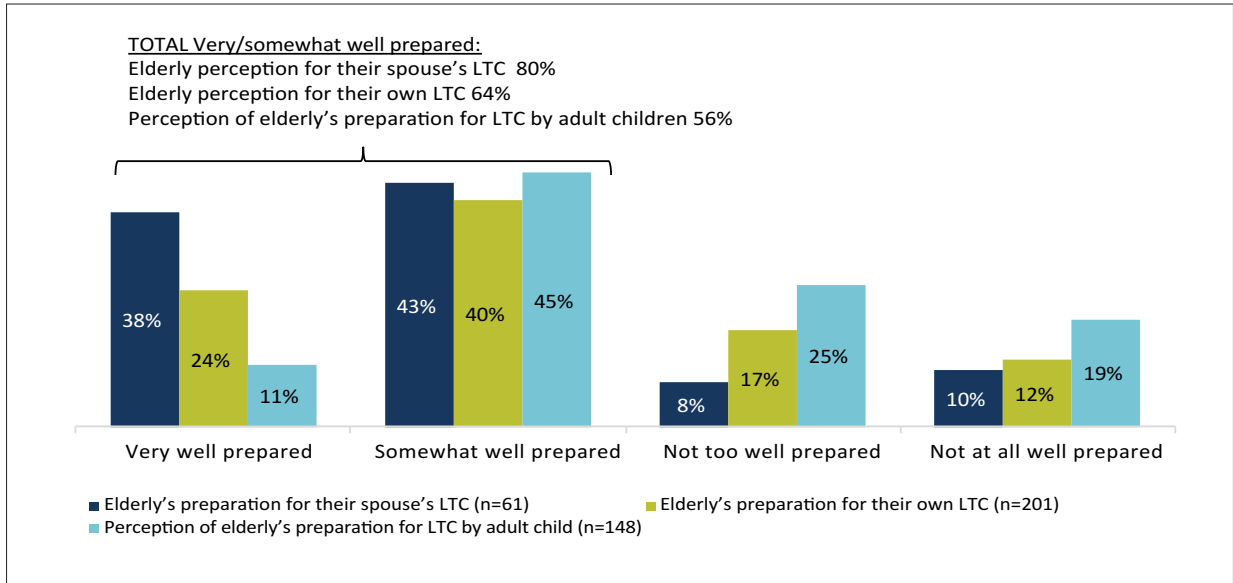
Discussion

Americans say that they are very familiar with Medicare, but they seem to overestimate what it will pay for long-term care. It is quite possible that respondents overstated their actual understanding of several of these products and solutions. The survey did not test in-depth knowledge of various products and solutions.

Chart 4: Preparedness for Long-Term Care Expenses

QUESTION TO ELDERS: IN GENERAL, HOW WELL PREPARED WERE YOU FOR THE EXPENSE OF TAKING CARE OF YOUR SPOUSE? IN GENERAL, HOW WELL PREPARED ARE YOU FOR THE POTENTIAL EXPENSE OF NEEDING LONG-TERM CARE FOR YOURSELF (YOU OR YOUR SPOUSE/PARTNER) IN THE FUTURE?

QUESTION TO ADULT CHILDREN: IN GENERAL, HOW WELL PREPARED [IS/ARE] YOUR [ELDERLY REFERENCE] FOR THE POTENTIAL EXPENSE OF NEEDING LONG-TERM CARE FOR THEMSELVES IN THE FUTURE? WOULD YOU SAY [HE IS/SHE IS/THEY ARE] . . .



*Don't know responses not included in analysis

Source: The 85+ Surveys: Individuals 85+ and Adult Children

Survey Findings

Elderly respondents participating in the 85+ Surveys: Individuals 85+ and Adult Children said they were prepared for their spouse's long-term care expenses more than for their own potential long-term care expenses.

Four in five elderly whose spouse required long-term care said they were at least somewhat well prepared for the cost, compared to about two in three who said the same about their own potential expenses.

One in 10 adult children in the partner online study said they believe their elderly parent is very well prepared for a potential long-term care expense, and a plurality said their parent is somewhat well prepared. Compared to the elderly surveyed, fewer adult children whose parent does not yet require long-term care said their parent is prepared for future expenses.

Discussion

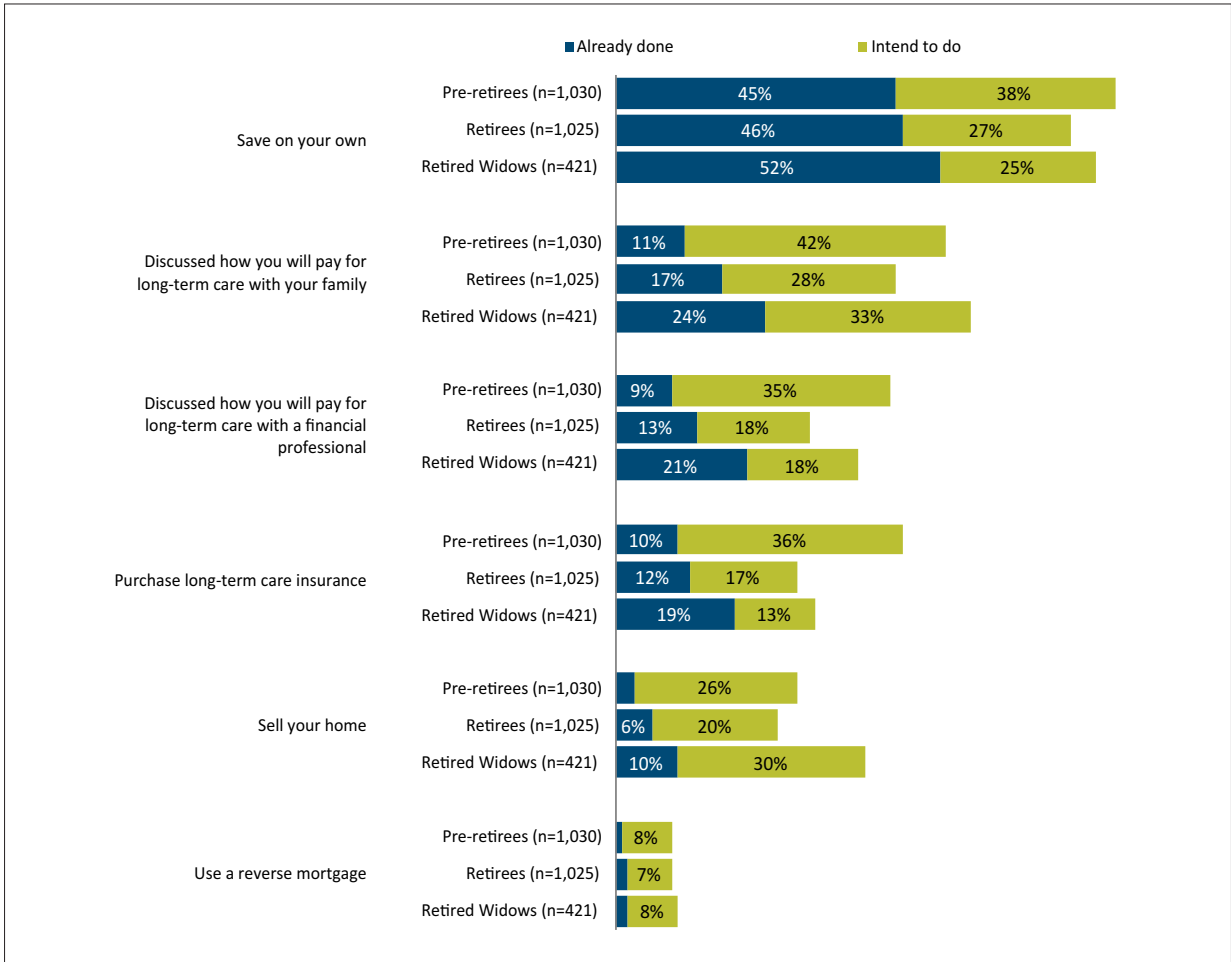
It should be remembered that the maximum asset level for the elderly respondents to this survey is \$400,000.

It is not surprising that the elderly felt that they were better prepared for a spouse's long-term care than they will be for their own. This is because, when both members of a couple need long-term care, assets are likely to be spent for the first person to need the care. In addition, the first person to have long-term care has a much better chance of having a spouse to help.

It is interesting to see the large difference in perceptions between the adult children and the people over age 85. It should be remembered, however, that the parents of the adult children are less healthy than the respondents in the telephone survey. It also seems likely that the children are being more realistic.

Chart 5: Financial Preparations for Long-Term Care Expenses

QUESTION: HAVE YOU PREPARED OR DO YOU PLAN TO PREPARE FOR THE COSTS OF NURSING HOME CARE OR HAVING A HOME AIDE IN THE FOLLOWING WAYS?



Source: The 2017 Risks Survey

Survey Findings

Saving is the most prevalent financial preparation that pre-retired and retired survey participants said they have made or intend to make in anticipation of long-term care expenses.

Sizable proportions of both demographics said they have already discussed or intend to discuss long-term care plans and purchase of long-term care insurance with family and financial professionals. Selling one’s home and using a reverse mortgage were less common considerations.

Compared to retirees, pre-retirees were less likely to have already discussed long-term care with family or a financial professional, but larger numbers said they have plans to do so.

Discussion

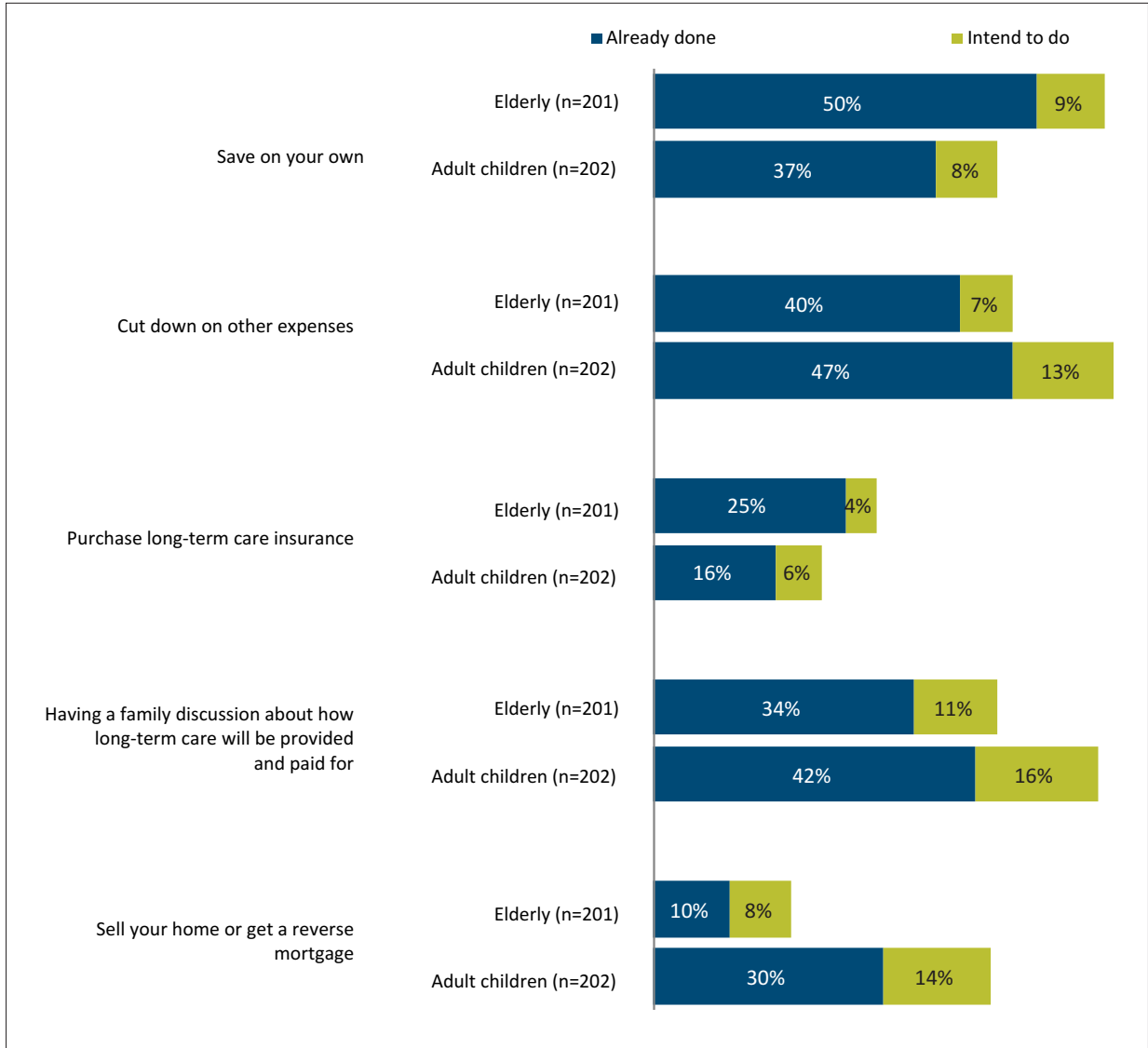
It is clear that there are substantial gaps in long-term care planning. The preceding question was asked of people who were at a maximum age of 80. But other research with people age 85 and older indicates that they also have not planned well for long-term care.

It seems that this is an issue that many people deal with when it happens rather than in advance.

Chart 6: Financial Preparations for Long-Term Care Expenses

QUESTION TO ELDERS: WHAT HAVE YOU (AND YOUR SPOUSE/PARTNER) DONE, OR DO YOU PLAN TO DO, TO HELP PREPARE FOR THE COSTS OF NURSING HOME CARE OR HAVING A HOME AIDE?

QUESTION TO ADULT CHILDREN: [HAS/HAVE] YOUR [ELDERLY REFERENCE] DONE, OR PLAN TO DO, ANY OF THE FOLLOWING TO HELP PREPARE FOR THE COSTS OF NURSING HOME CARE OR HAVING A HOME AIDE?



Source: The 85+ Surveys: Individuals 85+ and Adult Children

Survey Findings

Even in the advanced ages, few elderly telephone survey respondents said they had taken steps, outside of saving, to prepare for potential long-term care expenses. Half said they have already saved for this purpose and an additional one in 10 said they intend to save for the possibility of needing long-term care.

Smaller proportions of elderly participants said they have cut down on other expenses, purchased long-term care insurance and had a family discussion.

Roughly two in five adult children from the corresponding online survey said their elderly parent has cut down on expenses or held a family discussion about paying for long-term care. A smaller share, about one-third, said their parent has saved on their own or sold their home in anticipation of these expenses. About one in six said their elderly parent purchased long-term care insurance.

Discussion

Interestingly, differences exist between elderly and adult children regarding what preparations have been made to afford potential long-term care costs. Adult children are more likely to say their elderly parent has cut down on other expenses, held a family discussion or sold their home to prepare for a potential long-term care expense. Meanwhile, elderly participants are more likely to say they have saved on their own or purchased insurance.

Gaps in long-term care planning exist even at the higher ages.

The two surveys paint a somewhat different picture of the situation, which may reflect the differences in the samples. The telephone survey respondents are likely healthier than the population as a whole, while the parents of the adult children are less healthy. The adult children are also quite involved in helping their parents and many are caregivers.

QUALITATIVE QUOTES

“Because of my financial background, I was helping my brother with the various forms to apply for Medicare and Medicaid. As well as my mother’s. She did [have Medicare/Medicaid], but like I say, to get the forms, there is forms for let’s say she requested to go into a nursing home, as well as the various forms for the state. Because of my financial background, I was the one who did that as opposed to my brother.”—*Adult child of low-asset elderly female, 85+ In-depth Interviews*

“We have insurance. We have long-term care. For both of us. We have catastrophic insurance. That in case one of us should go—like have dementia or something like that.”—*Higher-asset elderly male, 85+ In-depth Interviews*

“No [I don’t have it]. Basically, I objected to that long-term care. Thought it was a waste of money.”—*Higher-asset elderly male, 85+ In-depth Interviews*

“The nursing home that she is in was part of the decision. Not every nursing home, so we found out after visiting quite a few, will accept Medicaid . . . They accept Medicaid and they will not turn anybody out who has outlived their money.”—*Low-asset elderly female, 85+ In-depth Interviews*

“We’ve done a little better with the health insurance and all. [Medicaid] that would be a consideration and all to see . . . I kind of doubt if they would pay.”—*Adult child of higher-asset female, 85+ In-depth Interviews*

“This is where we have had the problem with Medi-Cal versus Medicare . . . That was the whole thing with qualifying for the in-home support services. You had to qualify for Medi-Cal to get that . . . what she brings in monthly if we are calling that an asset is over the amount.”—*Adult child of high-asset female, 85+ In-depth Interviews*

“[WHY NOT LONG-TERM CARE INSURANCE] I would imagine it’s just too expensive, the same reason I don’t have stuff like that. And I don’t think people thought about that back then either, you know, I just don’t think too many people I know even have it to this day.”—*Adult child of elderly female, 2015 15 year+ Retirees*

SECTION 3: PERCEIVED LIKELIHOOD OF NEEDING LONG-TERM CARE

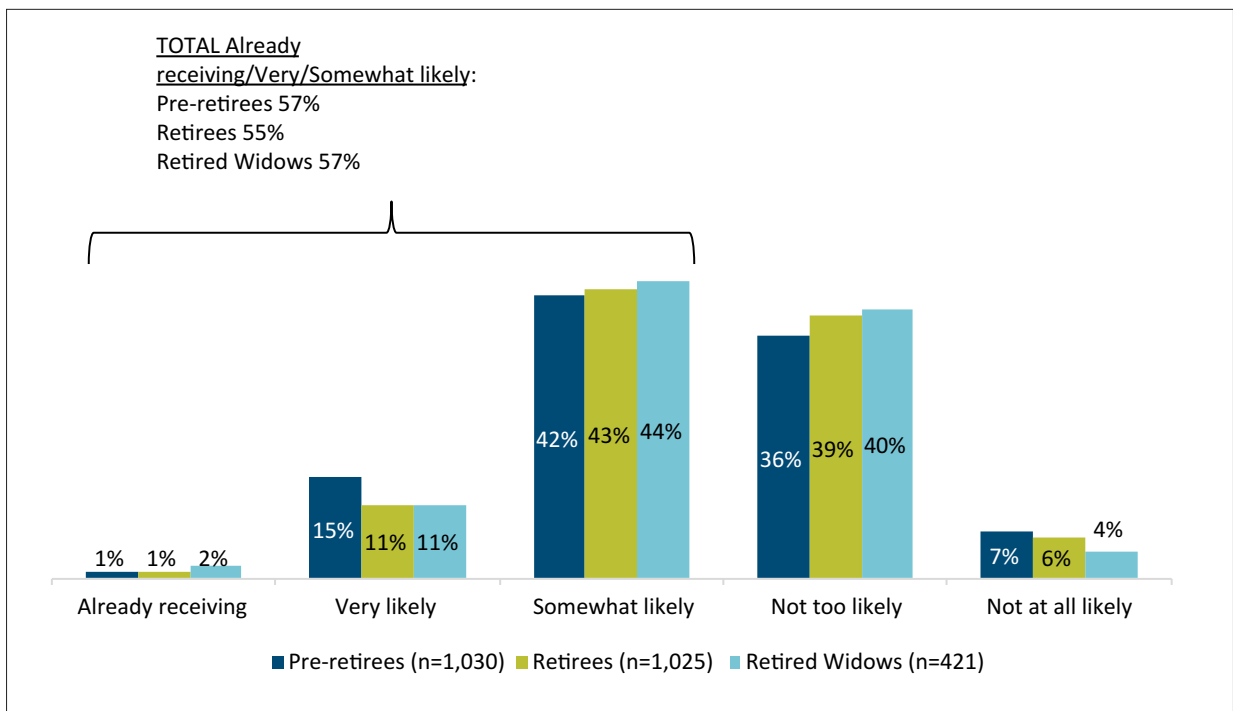
Overall Trend

A little more than half of pre-retired and retired 2017 Risk Survey participants said it is somewhat likely they will need long-term care in the future. Elderly and adult children both admitted that it is likely there will be a need for long-term care, with one-third of the surveyed elderly noting that their spouse required care and two in five adult children noting that their elderly parent currently requires it.

Important, though few of the elderly surveyed are currently receiving care, most said they do receive support with daily activities. This suggests that some may progress to requiring a more intensive care arrangement.

Chart 7: Likelihood of Personally Requiring Long-Term Care

QUESTION: AS YOU AGE, HOW LIKELY DO YOU THINK IT IS THAT YOU, PERSONALLY, WILL REQUIRE—ANY TYPE OF LONG-TERM CARE?



Source: The 2017 Risks Survey

Survey Findings

A little more than half of pre-retirees and retirees said it is at least somewhat likely they will require long-term care in the future.

Discussion

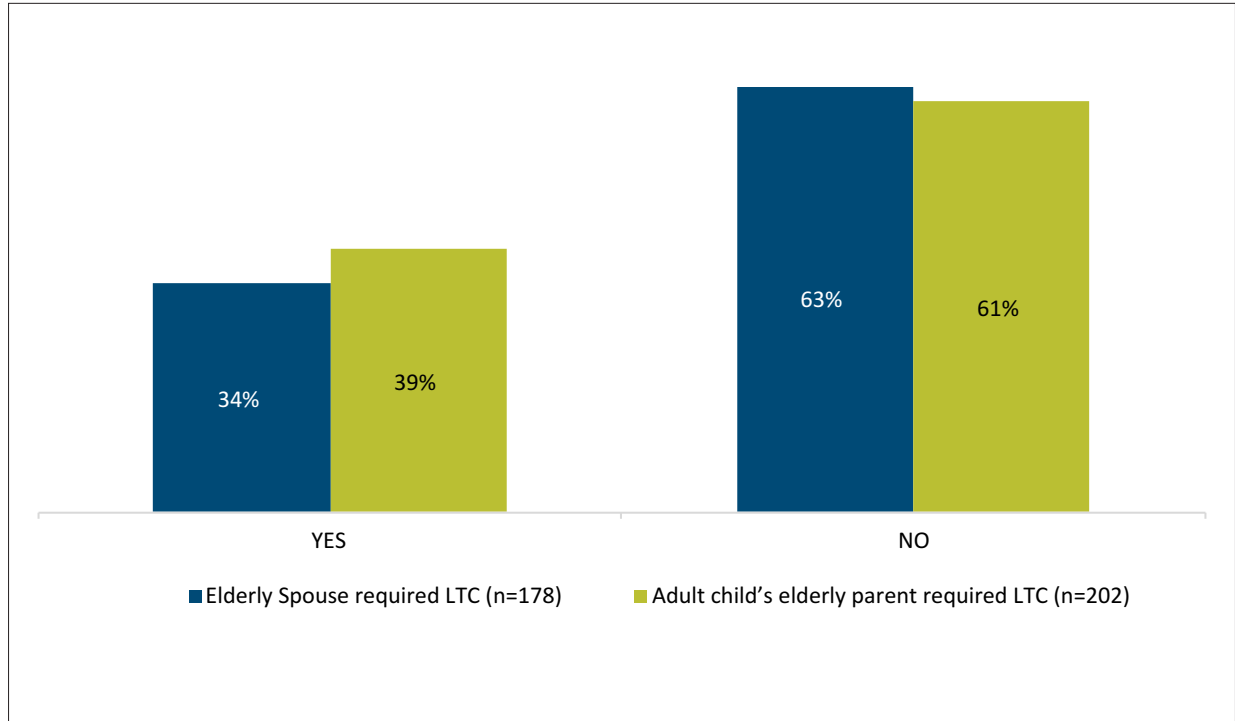
About one-half of people who reach age 65 need some form of long-term care, but there is a lot of variation in what they need, how it changes and how long they need it. Some people need care for a very short term after a major event or surgery or before death. Others with diseases like Alzheimer’s or Parkinson’s disease may require help for many years.

People may also differ in what they consider to be long-term care. For instance, many over age 85 need help being driven places, but they may have differing opinions about whether to consider such support long-term care. However, persons who cannot drive themselves clearly need some form of transportation assistance, by whatever name and arrangement.

Chart 8: Actual Long-Term Care Experience

QUESTION TO ELDERS: DOES/DID YOUR SPOUSE/PARTNER REQUIRE NURSING HOME CARE OR IN-HOME CARE?

QUESTION TO ADULT CHILDREN: [HAS/HAVE ANY OF] YOUR [ELDERLY REFERENCE] EVER REQUIRED CARE IN A NURSING HOME OR PAID IN-HOME CARE THAT WOULD OTHERWISE BE PROVIDED IN A NURSING HOME?



*Don't know responses not included in analysis
 Source: The 85+ Surveys: Individuals 85+ and Adult Children

Survey Findings

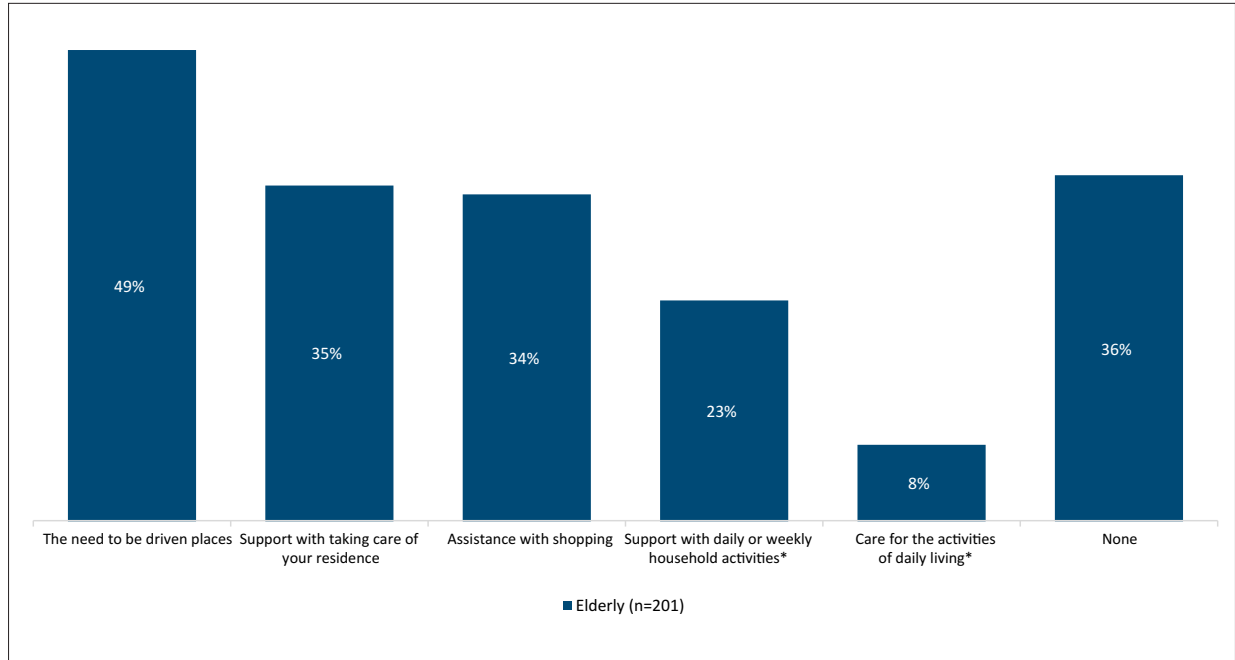
A little over one-third of adult children said their elderly parent requires long-term care. A similar proportion of elderly married, widowed or partnered individuals said their spouse required or requires long-term care.

Discussion

Many people need help by the time they reach 85. This question focuses on paid in-home care or nursing home care. It does not define duration of care or the services needed. Some of the questions that follow focus on the type of help needed.

Chart 9: Support Required with Daily Living Activities

QUESTION: DO YOU CURRENTLY REQUIRE ANY OF THE FOLLOWING? (MULTIPLE RESPONSES ACCEPTED)



*Response text has been abridged

Source: 85+ Surveys: Individuals 85+ and Adult Children

Survey Findings

Nearly two in three elderly participants in the 85+ Surveys: Individuals 85+ and Adult Children currently said they need support with routine needs. About half reported needing to be driven places, and an additional one-third said they require support with taking care of their residence and assistance with shopping.

The prevalence of elderly needing assistance with regular ongoing activities suggests it is likely that some may progress to requiring what could truly be considered long-term care.

Discussion

This is a very interesting question because it provides insight into the types of help that people are receiving. The responses do not distinguish between help from family and friends, versus paid help.

Among the respondents to the telephone survey who are healthier than the overall age 85 and over population, it is interesting to note that 49% needed help being driven places versus 8% who needed help with activities of daily living.

The challenges of providing help are quite different depending on the type of help needed. Some help can be scheduled at mutual convenience between helper and person helped. Shopping and home duties (cleaning, maintenance, etc.) are examples of this. In contrast, most help with activities of daily living is needed at specific times, or with less scheduling flexibility.

QUALITATIVE QUOTES

“[Concern about a health issue] Not now, but things change quite rapidly. My mother-in-law, a year ago she was very able. And then we started noticing signs in which things have changed.”—*Adult child of low-asset male [speaking about mother in-law], 85+ In-depth Interviews*

“She has mild Alzheimer’s, so we’re trying to keep her at home until it gets really bad. That’s why we kind of monitor her savings and everything.”—*Adult child of higher-asset elderly female, 85+ In-depth Interviews*

SECTION 4: HOW LONG-TERM CARE WOULD BE PAID FOR

Overall Trend

Few adult children and elderly respondents in the 2018 age 85 and older online and telephone surveys said that the financial burden of needing long-term care would be catastrophic. However, a plurality agreed it would be a burden to at least a minor extent.

Health care costs are impacting the finances of the elderly. For instance, sizable proportions said dental and medical expenses have impacted their finances within the past five years.

The researchers found considerable variety in expectations among various population segments about how they would pay for such care, if needed. For example, retired participants in the 2017 Risks Survey tended to have more concrete ideas on how to pay for such care than did their pre-retired counterparts.

Many retirees said they plan to rely on Medicare, while two in five retirees and pre-retirees said they would cover the costs out of their own savings and investments. Among adult children of elderly parents, paying out-of-pocket and Medicaid were the most prevalent strategies named to pay for long-term care

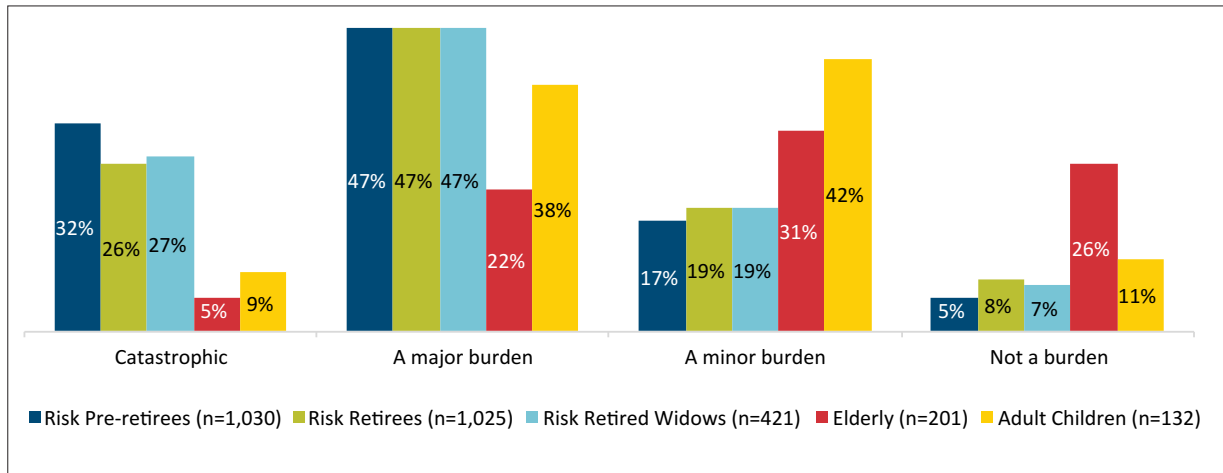
The Medicare expectations among retirees are particularly problematic, even though Medicare was the most prevalent strategy the retirees named for paying for long-term care. Medicare only covers long-term care costs in certain situations, as described earlier in this report. This illuminated the disconnect that exists over what is believed versus what actually happens.

Chart 10: Financial Impact of Long-Term Care

QUESTION TO ELDERS IN 2017 RISKS SURVEY: IF YOU (OR YOUR SPOUSE/PARTNER) REQUIRED EXTENSIVE LONG-TERM CARE IN A NURSING HOME, WOULD THE COST BE . . . ?

QUESTION TO ELDERS IN 85+ SURVEYS: INDIVIDUALS 85+ AND ADULT CHILDREN: IF YOU NEEDED TO HAVE NURSING HOME CARE OR TO HAVE A HOME AIDE PROVIDE CARE, WHAT WOULD LIKELY BE THE FINANCIAL IMPACT ON YOUR HOUSEHOLD?

QUESTION TO ADULT CHILDREN IN 85+ SURVEYS: INDIVIDUALS 85+ AND ADULT CHILDREN: (AMONG ADULT CHILDREN WHOSE PARENT DOES NOT REQUIRE CARE) IF YOUR [ELDERLY REFERENCE] NEEDED NURSING HOME CARE OR A HOME AIDE TO PROVIDE CARE, WHAT WOULD THE FINANCIAL IMPACT ON THE HOUSEHOLD LIKELY BE? WOULD THOSE COSTS BE . . .



*Don't know responses not included in analysis

Sources: The 2017 Risks Survey; and 85+ Surveys: Individuals 85+ and Adult Children

Survey Findings

More pre-retired and retired participants in the 2017 Risks Survey viewed needing long-term care as a significant burden than did the elderly and their children surveyed in the 85 and older study.

Few adult children with parents not receiving long-term care said it would be financially catastrophic. However, nine in 10 recognized the financial impact would be a burden.

Compared to the elderly surveyed, a somewhat larger proportion of adult children said it would be a catastrophic or major burden if their elderly parent required long-term care.

Discussion

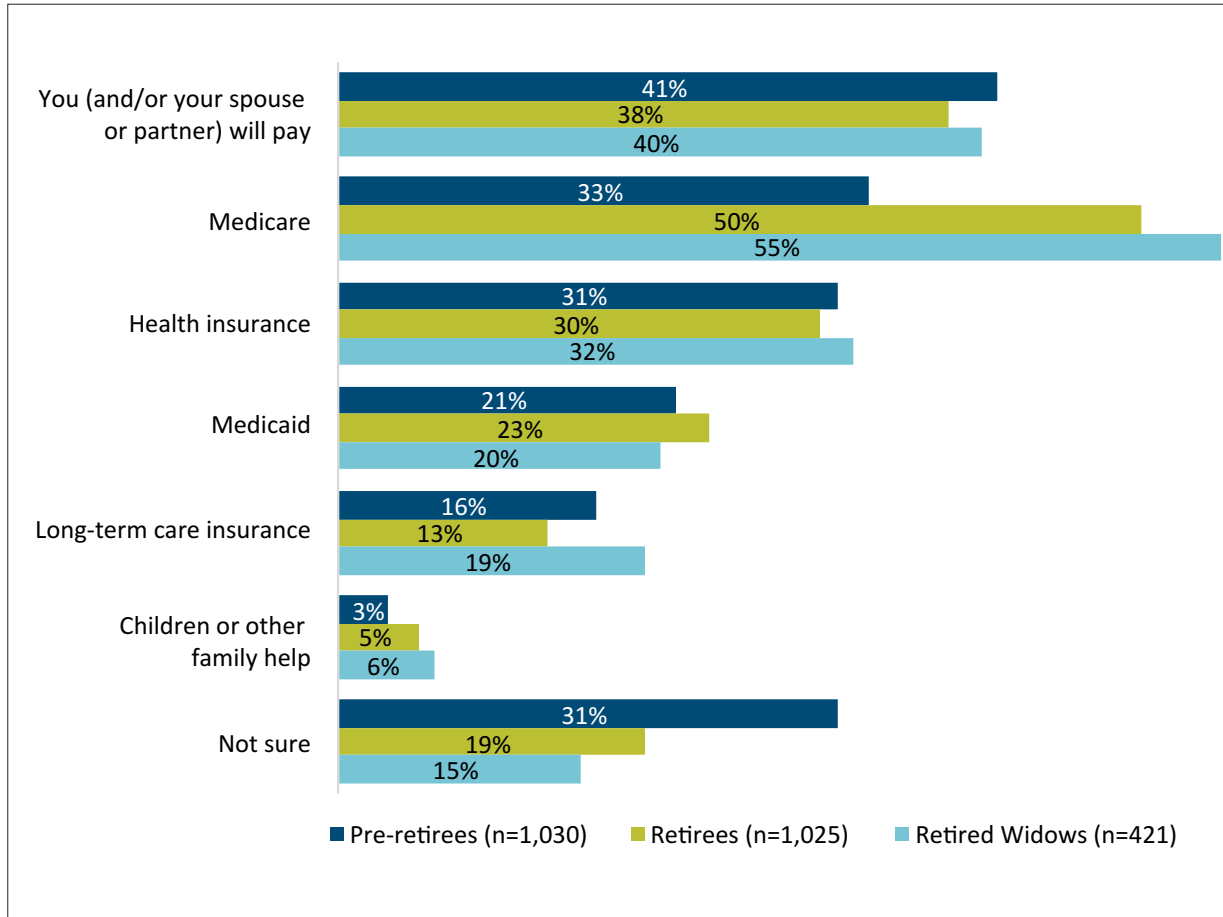
The differences in results on these questions are puzzling. They raise the question of who was being realistic, and about the extent of different perspectives that the respondents may have held on what constitutes long-term care and how extensive it would be. Respondents may also have had different perspectives on what the family can do to help.

Paid long-term care is clearly expensive for middle-income Americans. Most households without long-term care insurance would find substantial long-term care over an extended period to be a major financial problem. This includes the households represented in the survey of seniors, who had had a maximum of \$400,000 in financial assets.

Medicaid pays for care for those with minimal assets. It may be that people who are close to having no assets will accept Medicaid as their alternative for private insurance. Still, this does not explain the discontinuity the data revealed among persons in higher income brackets.

Chart 11: Strategies to Pay for Long-Term Care

QUESTION: IF YOU (OR YOUR SPOUSE/PARTNER) REQUIRED EXTENSIVE LONG-TERM CARE IN A NURSING HOME, HOW WOULD YOU PAY FOR IT? PLEASE SELECT ALL THAT APPLY.



Source: The 2017 Risks Survey

Survey Findings

Retirees tended to have concrete ideas of how to pay for long-term care if needed than did pre-retirees. Roughly half of retirees and retired widows said they plan to rely on Medicare to pay for long-term care. An additional two in five pre-retirees and retirees said they would cover long-term care costs themselves.

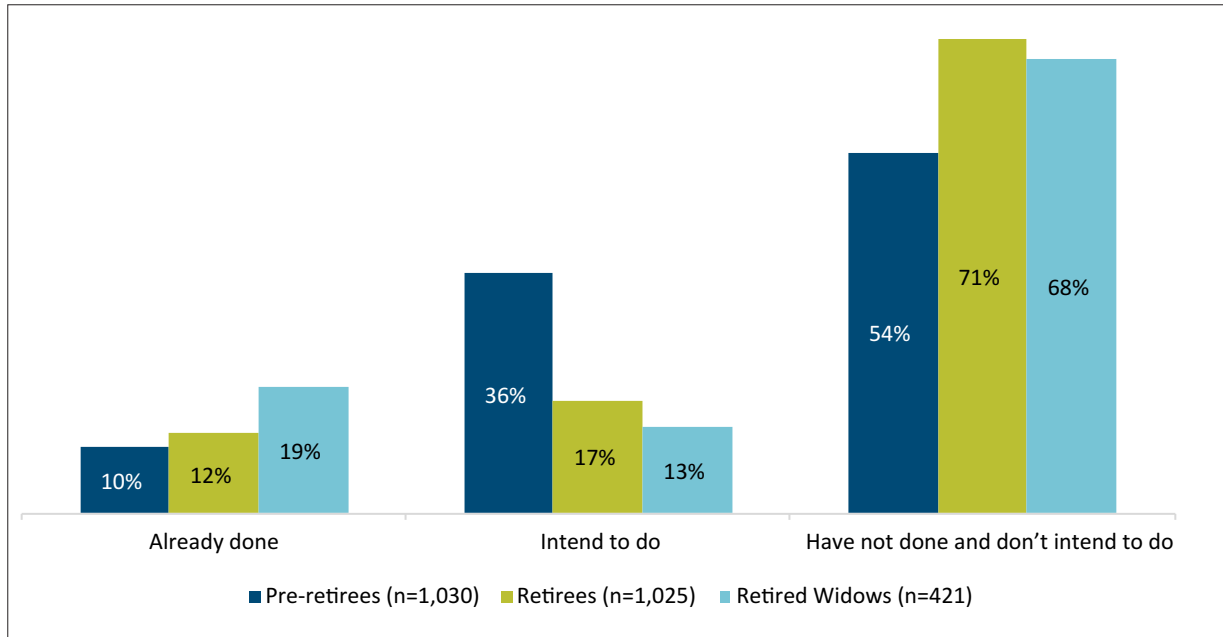
Discussion

The results of this question indicate lack of understanding as to what is involved in paying for a major long-term care event. As noted earlier, Medicare pays for only a very short period of post-acute care after a three-day hospital stay. (This can be waived by Medicare Advantage plans in some cases.)

Medicaid is a major payor of nursing home care. As a result, an individual who is poor or spends down enough then would be “correct” to view payment of long-term care expenses as being covered without their having to act.

Chart 12: Long-Term Care Insurance Purchase

QUESTION: HAVE YOU DONE OR DO YOU PLAN TO PREPARE FOR THE COSTS OF NURSING HOME CARE OR HAVING A HOME AIDE IN THE FOLLOWING WAYS? —PURCHASE LONG-TERM CARE INSURANCE



Source: The 2017 Risks Survey

Survey Findings

Half of pre-retirees and about seven in 10 retirees stated they have not purchased long-term care insurance and that they do not intend to do so. Twenty percent of retired widows said they had already purchased long-term care insurance; while that is not an overwhelming percentage, it exceeds the retirees (12 percent) and pre-retirees (10 percent) who said the same.

Meanwhile, a larger proportion of pre-retirees (36 %) said they intend to buy this coverage while only 17 % of retirees and just 13 % of retired widows said the same.

Discussion

Long-term care insurance comes with a range of coverage options (both types of services and duration covered), and it can be very helpful in financing part of the cost of a major long-term care event. People who have such insurance often have more choices about how and where they will get care.

About one in 10 older adults have bought long-term care insurance. In addition, private long-term care insurance pays for about 10% of the aggregate cost of major long-term care in the United States, when considering all individuals, regardless of whether they have insurance or not. (Most long-term care is paid for by Medicaid or out-of-pocket.)

Experts generally agree that people with many assets can self-insure and those with few assets can't afford it and will get Medicaid.

There are no agreed upon definitions of what “many” and what “few” is in this regard. The “tweeners,” as they may be called, are at risk since they cannot afford payments for any significant long-term care event and yet are too “rich” to rely on Medicaid.

The SOA has a Decision Brief to help people consider strategies for financing long-term care. It is listed in the Appendix of this report.

QUALITATIVE QUOTES

“[Current financial situation] Depleting rapidly with obviously the cost of care. Then all these little add-ons that you have to purchase to go along with that care. At the time she was living in the apartment we had to get a hospital bed in. There was a lift that got brought in so she could be lifted in and out. Then moving to the care home. There are always things that are used per se. Certain creams and things like that in excess of, we are purchasing. Cream sounds minimal, but it does all add up.”—*Elderly higher-asset female, 85+ In-depth Interviews*

Q: What happened to the \$200,000? You spent it or . . .

“Well, I don’t spend things foolishly, believe me.”

Q: Was it the medical expense, or where did the money go?

“Some medical, yeah. But I couldn’t afford to pay all of it. That is why I lost a lot of stuff.”

—*Low-asset elderly female, 85+ In-depth Interviews*

“So, it’s made us both realize, you know I thought about calling in a home health aide, but we don’t have insurance that covers that. It really makes you think about how much all these things can cost. I’ve had neighbors and friends come over just to empty the garbage because it’s too heavy for me and he can’t lift anything. So, it’s really, seeing what is going on with my in-laws, it’s really made me realize that you need a lot of stuff in place and a lot of extra funds to get through a situation like this.”—*Adult child of elderly male, 2015 15 year+ Retirees*

Conclusion

Long-term care planning and financial preparations are important issues for America's oldest individuals and their families, friends and professional care and support teams.

Although the term long-term care has been in circulation for 20 to 30 years, it is used to mean different things by different people. Many people do not fully understand the types of support that may be needed and how needs change. They also do not know how to develop a plan to arrange and pay for such support. SOA's multi-year research into the topic comes as the nation's elder population continues to grow in numbers, and as many people live deep into their 80s, and sometimes 90s and higher, when the need for such support becomes likely.

Awareness of the need for care is mixed, however. As this report points out, a little more than half of pre-retirees and retirees told researchers that it is at least somewhat likely they will require long-term care in the future. Yet the SOA researchers also found that many were unclear about how they would pay for care.

An associated concern that the SOA research reveals is that many people are overconfident about their ability to handle their risk of long-term care, should it ever occur.

Our conclusion is that Americans need more education about what long-term care is, how to pay for it and ways to plan for it.

Appendix

ADDITIONAL INFORMATION AND RESOURCES FROM THE SOCIETY OF ACTUARIES (SOA)

Managing the Impact of Long-Term Care Needs and Expense on Retirement Security—Fall 2014.

- A call for papers on long-term care and caregiving and their relationship to retirement. <https://www.soa.org/essays-monographs/mono-2014-managing-ltc/>

2017 Risks and Process of Retirement Survey (the 2017 Risks Survey—January 2018.

- SOA's full report, including detail on responses to survey questions with breakouts by gender and age. <https://www.soa.org/research-reports/2018/retirement-risk-survey/>

Post-Retirement Experiences of Individuals 85+ Years Old (85+ In-depth Interviews)—September 2017.

- The SOA research report summarizing 62 interviews of individuals 85 years and older. The study seeks to understand how the habits and behaviors from earlier in life played out in the later years of retirement. <https://www.soa.org/research/topics/research-post-retirement-needs-and-risks/#decisions>

Post-Retirement Experiences of Individuals 85+ Years Old: Surveys (85+ Surveys: Individuals 85+ and Adult Children)—May 2018.

- <https://www.soa.org/resources/research-reports/2017/2017-post-retire-exp-85-years-old/>

Post-Retirement Experiences of Individuals Retired for 15 Years or More (2015 15 year+ Retirees)—January 2016.

- The study seeks to understand how middle-income market retired Americans and Canadians manage their assets and spending decisions over the long term. <https://www.soa.org/research-reports/2016/2016-post-retirement-experience-15-years/>

The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups—September 2013.

- The report examines the decision process to retire and views on managing assets after retirement. The study was designed specifically to examine those who were not forced to retire due to ill health or disability. <https://www.soa.org/research-reports/2013/The-Decision-to-Retire-and-Post-Retirement-Financial-Strategies--A-Report-on-Eight-Focus-Groups/>

Rappaport, Anna M. *Financial Shocks, Unexpected Expenses of and Financial Experiences of Older Americans*. Paper presented at 2017 Society of Actuaries Living to 100 Symposium. <https://www.soa.org/essays-monographs/2017-living-to-100/>

SOA Retirement Section News (formerly Pension Section News):

- Rappaport, Anna M. September 2016. Thinking about Spending in Retirement: Findings from SOA and EBRI Research. *Society of Actuaries Pension Section News*, no. 90: 14. <https://www.soa.org/sections/retirement/retirement-newsletter/>
- Rappaport, Anna M., and Sally Hass. February 2017. Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience. *Society of Actuaries Pension Section News*, no. 91: 6, <https://www.soa.org/sections/retirement/retirement-newsletter/>

Taking the Long-Term Care Journey—2012.

- This is available in the Managing Retirement Decisions series. (NOTE THAT IT IS CURRENTLY BEING UPDATED.)
<https://www.soa.org/research-reports/2012/research-managing-retirement-decisions/>

Retirement Adequacy in the United States: Should We Be Concerned?—March 2018.

- This is one of several SOA studies of benefit adequacy that indicate the importance of long-term care as an element in retirement planning. While few people have a major long-term care expense, it can be very costly and a reason for not having enough money in retirement. <https://www.soa.org/research-reports/2018/retire-adequacy-us-concern/>

