

*Fast Facts*

Managing the Impact of Long-Term Care Needs and Expense on Retirement Security

SUMMARY

Experiencing an extended period of long-term care (LTC) can often lead middle-income households to retirement insecurity and even devastation, according to this monograph. The challenges can occur despite careful retirement planning and substantial help from family, friends and neighbors.

The Society of Actuaries (SOA) issued a call for essays to assess the extent of the problem and possible solutions. The 12 essays in this monograph were the result. They paint a revealing picture of pressing issues in areas such as care provider and management systems, finances, housing, lifestyle, and available support (private and public). Ideas for improvement include: design an exchange market system; develop new product designs; integrate 401(k) plans and LTC payments; use LTC insurance benefits to reduce medical spending; and integrate annuities with other assets. The list on the right shows highlights from six of the essays.

HIGHLIGHTS

- Advance planning for LTC risk is critical for low- to middle-income households. For those with greater wealth and income, paying for LTC costs as they are incurred may be a workable option.—*Vickie Bajtelsmit and Anna Rappaport*
- Four factors should bring caregiving issues to the policy forefront: the increasing reliance on family members as primary caregivers and the impact on them and their employers; the rise of aging-in-place; the impending shortage of paid caregivers; and the rising cost of LTC services and lack of planning for an LTC event.—*Sandra Timmermann*
- Based on available estimates of defined contribution (DC) account balances, about 20% of families with the largest DC asset levels would be able to pre-finance all or much of long-term services and supports (LTSS) cost by putting 25% of their total DC retirement assets in a “LTSS/longevity” account.—*Karl Polzer*
- The American Long-Term Care Insurance Program (ALTCIP) proposes a public-private partnership for financing long-term services and supports.—*Paul E. Forte*
- When combined with the stored legacy value of home equity, at-need annuities (i.e., with benefits starting when LTC cost needs have already commenced) can be especially helpful in dealing with the potentially financially devastating, and often uninsured, cost of LTC.—*Steve Cooperstein*
- Both public and private approaches are currently available to address LTC risks. In fact, it might well be that we are seeing LTC reforms underway but they are too incremental (and fragmented) to be obvious.—*John Cutler*

LINK TO FULL REPORT

Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph

<https://www.soa.org/resources/essays-monographs/mono-2014-managing-ltc/>

METHODOLOGY

- Timeframe: Call for essays issued in 2013; papers published in 2014
- Requirements: Call sought essays about improving long-term care financing and management, and helping people think about what they may need to do today to prepare for long-term care in the future.
- Target readership: individuals, advisors, regulators, financial service companies and policymakers.

REPORT SPECS

- Published: 2014
- Pages: 266 in total
- Access: Downloadable pdf
- Research Sponsor: The Society of Actuaries (SOA)
- Authors: More than 20 professionals in the field of long-term care
- Contents: An introductory overview, a summary of abstracts, 12 essays, (9 to 31 pages each), 60 tables, 15 figures, several graphics, and extensive footnotes and references. The essay titles follow:
 - The Impact of Long-Term Care Costs on Retirement Wealth Needs
 - How American Society will Address Long-Term Care Risk, Financing and Retirement
 - Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience
 - The 65 Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle
 - Long-Term Benefits May Reduce End-of-Life Medical Care Costs
 - An Overview of the U.S. LTC Insurance Market (Past and Present): The Economic Need for LTC Insurance, the History of LTC Regulation & Taxation and the Development of LTC Product Design Features
 - Home Equity and At-Need Annuities—A Dynamic Long-Term Care Funding Duo
 - Can Long Term Care Protection in Other Developed Countries Provide Guidance for the United States? Germany as an Example
 - Financing Future LTSS and Long Life Through More Flexible 401(k)s and IRAs
 - The American Long-Term Care Insurance Program (ALTCIP)
 - Home Equity: A Strategic Resource for Long-Term Services and Supports
 - An Affordable Long-Term Care Solution Through Risk Sharing



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<https://www.soa.org/globalassets/assets/files/resources/research-report/2018/ltc-middle-market.pdf>

2017 Risks and Process of Retirement: Planning for Personal Long-Term Care Risk

<https://www.soa.org/globalassets/assets/files/resources/research-report/2019/planning-personal-ltc-risk.pdf>

Financing Long-Term Care Needs Decision Brief

<https://www.soa.org/globalassets/assets/files/research/research-pen-long-term-care.pdf>



CONTACT

Steven Siegel
SOA Research Actuary
Research@soa.org
(847) 706-3500