

# Planning For Your Retirement and Long-Term Care

A Planning Checklist for  
Your Middle-Age Years



National Alliance For Caregiving  
4720 Montgomery Lane  
Suite 642  
Bethesda, Maryland 20814  
www.caregiving.org

In collaboration with the General Federation of Women's Clubs,  
Business and Professional Women/USA, and the Employee  
Assistance Professionals Association.

*Chances are you will live longer than your parents, and will live a longer time in old age!*

Did you know that . . . In 1940 there was only a 7% chance that a 65-year-old would live to age 90?

By 2000, the estimate more than triples to 26%<sup>1</sup>.

At the same time that you're planning for your own future, your parents are likely to need your help: in 1960 the likelihood that a 50-year-old would have both parents alive was 14%; in 2000, it's 27%<sup>2</sup>.

*There is a life expectancy Gender Gap - A 65-year-old woman will live on average another 19 years; it's only 9 for men<sup>3</sup>. So, who will be taking care of you in your old age? Plan Now!*

*This means Planning for Long-Term Care*

25% of otherwise healthy older men and women need regular assistance with one or more Activities of Daily Living (ADLs): walking, eating, dressing, getting out of bed, going to the toilet.

Only 8% of 70-year-old women – but 22% in their 80's – need regular help in taking a bath<sup>4</sup>.

Traditional health insurance, Medicare, and HMOs usually don't pay for long-term health care. And the average cost of nursing home care these days is \$40,000 per year<sup>5</sup>.

So. . . For many of us, a combination of our savings, investments, home equity, and long-term care insurance can be better to rely on than a single source such as relatives, savings, or government programs.

Here is a series of self-study check lists:

Check off the things you know and have, and then start working on the tasks that you need to learn about and do.

## *Retirement Income Strategies*

I've realistically considered when I plan to retire, and  when my spouse will retire.  I've started to "guesstimate" how much it will cost to live in retirement.

If you have two incomes, two health plans, multiple pensions, etc., you will need to do a lot of pre-retirement planning.

I've calculated the differing amounts of my Social Security and other retirement income if I retire at age 62 rather than at age 65.

Contact the Social Security Administration for worksheets on which you can calculate your reduced early-retirement monthly benefits.

I've made a list of the dollar value (total and monthly) of all my sources of retirement income: Social Security, employer pension, Individual Retirement Account, investments, home equity, life insurance policies.

Make a list now of all your financial and investment assets; pre-printed worksheets are available for the asking from most financial professionals and from many do-it-yourself financial planning paperbacks.

## *Traditional Employer Pensions:*

I know how my pension and my spouse's pension work - including payment schedules, income tax, and even what happens to my total income if my spouse dies before I do.

Contact the Human Resources department or employee assistance program (EAP) and get all the current rules and details of your pension plan,

especially options that will provide income for a surviving spouse.

*Non-Traditional Pension Plans* [such as 401(k)s, Keoghs, IRAs]:

I understand how my retirement plan works, potential taxes owed, and rules for monthly vs. lump sum withdrawals.

You should know that you are allowed to start withdrawing from your pension as early as age 59 1/2 if you retire, but that you generally must start those withdrawals of at least a minimum amount no later than April 1 of the calendar year after you reach 70 1/2. Planning for what's appropriate for you begins with your early understanding of the process.

I've looked into those new Roth IRA plans.

For employer-sponsored plans, contact your Human Resources department or employee assistance program; if you work for yourself or a small company, contact a financial professional or retirement planner. Learn about all your assets and all of your "distribution" options.

## *Health and Life Insurance*

I know for sure that I will/will not get retiree health insurance from my former employer.  
 I know how much I will have to pay out-of-pocket with this insurance.

Find out how "certain" your health insurance benefits really are, what coverages you will be getting, and how much it will cost you out-of-pocket.

In case I have to buy it on my own, I know how and where to shop for health insurance.

What if next month you had to purchase your own health insurance? Ask all the hobby, sports, church, professional, fraternal, and

charitable groups you belong to if they offer group health insurance as a benefit of membership; ask your employer about your Comprehensive Omnibus Budget Reconciliation Act (COBRA) rights.

I know that Medicare eligibility doesn't begin until age 65 – even if I start getting my Social Security or other retirement income at a younger age and that  I may need a “Medigap” policy for expenses not covered by Medicare.

I know what my health insurance covers, and what it doesn't,  I know who in my family it will and won't cover, and  I know what kind of disability income insurance coverage I have.

Check with your Human Resources department or EAP; ask if any changes in coverage are likely to take place soon. Ask what changes if any will take place, for you and your family, when you move from employee to retiree.

I'm familiar with the differences between term life and “whole life” (cash value) insurance, what they cost, what they provide, and how their different features fit my financial needs and goals.

In general, check with *Consumer Reports* which has recently published articles on the costs, values, and benefits of different kinds of life insurance, or the American Council of Life Insurance. Both have worksheets to help you calculate how much life insurance you really need.

### *Long-term Care and Long-term Care Insurance*

I know that Medicare generally does not pay for long-term care, and Medicaid only pays if you have impoverished yourself.

I know the difference between  Home Care,  Assisted Living, and  Nursing Home Care.

*On the question of moving into an Assisted Living facility or a Nursing Home: I've given serious thought to how important each of the following kinds of things is to me (and to my family) –*

- staying in the same neighborhood;
- being close to my family, friends, and doctor;
- deciding not have a roommate;
- having my own pets;
- living with people who share my religious beliefs.

Make a list of your preferences. Which ones do you think are likely to change a lot over the next 10 years?

I know the monthly cost of Nursing Homes and Assisted Living in the area where I'd probably like to live.

Shop around and make some phone calls (call your local Area Agency on Aging and look in the Yellow Pages as a start). Ask friends who have faced these issues themselves.

I know that Long-Term Care Insurance (LTC) is not just “Nursing Home” insurance, and that many LTC policies these days cover several kinds of care.

I know that the definition and dollar benefit for home care vary from policy to policy.

The bottom line is: generally, the earlier you purchase LTC insurance, the lower the premium.

I know where I can learn more about LTC insurance, what it costs, when to buy it, and find out what's best for my family and me.

*Consumer Reports* and the nonprofit United Seniors Health Cooperative in Washington, D.C. [(202) 393-6222; [www.ushc-online.org](http://www.ushc-online.org)], are good places to start to learn about LTC insurance and various policy options, premiums and costs, coverages, what to be aware of, and what to ask questions about.

### *Families, Financial Professionals, & Legal Procedures*

I know how I want my assets and personal possessions distributed when I die, and have discussed this with my family, lawyer, and others involved.

I have a valid, current will.

I understand the difference between a will and a living trust, and have made my plans based on this understanding.

List all your current assets (including non-financial things). Identify everything that you want distributed in a specific way after you die and how you want those things distributed (to spouse, children, grandchildren, organizations, others). Then, check with a lawyer who has an estate-planning or elder-law background and complete the needed legal documents to carry out your wishes.

I understand the purpose of a Durable Power of Attorney.  I have one.

I have a Health Power of Attorney and a Living Will (or other documents) that make my health care and life-sustaining preferences known, in case I become unable to communicate.

You must have frank and detailed talks with your family, doctor, and attorney now about your preferences -- before a major illness or incapacity occurs. Be sure you know both what and how much each of them is able to do for you, and that they are willing to follow your wishes about health care and life support systems. The AARP and the Aging with Dignity organization [800-681-2010; [www.agingwithdignity.org](http://www.agingwithdignity.org)], among others, have “model” forms and materials you can read.

I know (and the appropriate others also know) where to find my insurance policies, my wills and trust documents, tax returns, investment and banking records.

Do it NOW. Find them, read them, list them, discuss them with your spouse. Make duplicates where necessary. Then put them in a safe accessible place.

I recognize the basic differences between and the financial impact of load vs. no-load mutual funds, commission vs. fee-only financial professionals, and the impact of sales commissions on how different kinds of life insurance are marketed.

I recognize that free advice seldom comes without a price.

Start by reading *Consumer Reports*, *Personal Finance for Dummies* and similar books readily available at your local library and bookstores. Read the “personal finance” column in your local newspaper. Pose real and hypothetical questions to your financial professional, lawyer, insurance agent, accountant. Ask, ask, ask!

I should have started all this planning five years ago, -- but more importantly,

I know that it's not too late to start.

#### World Wide Web Resources

- The “Web Place” of AARP: [www.aarp.org](http://www.aarp.org)
- ElderWeb, supported by the U.S. Administration on Aging: [www.aoa.dhhs.gov](http://www.aoa.dhhs.gov)
- Medicare & Social Security websites: [www.hcfa.gov/medicare](http://www.hcfa.gov/medicare) [www.dhhs.gov/ssa](http://www.dhhs.gov/ssa)

<sup>1</sup>National Center for Health Statistics, 1992.

<sup>2</sup>Uhlenberg, Peter; *The Gerontologist*, 1996.

<sup>3</sup>National Center for Health Statistics, 1993.

<sup>4</sup>Survey of Income and Program Participation, 1991-92.

<sup>5</sup>American Association of Homes & Services for the Aging, 1999.

*This guide is intended to raise important issues and provide the reader with some background information on the topics it covers. It must not be construed as providing legal, financial, medical or other advice.*

This publication is supported by a grant from The Equitable Foundation, the philanthropic arm of The Equitable Life Assurance Society of the U.S. Equitable helps people plan for the future, enhance the quality of their lives and manage their responsibilities toward those who depend on them.

