

Retirement Peace of Mind

By Brian Puckett, JD, CPA/PFS
May 1, 2004

The expression “playing the odds” is one we tend to associate with Las Vegas or the local racetrack. In reality, we all play the odds in many aspects of our daily lives. What are the odds of winning the lottery or making a killing in the stock market? What are the odds of being subject to certain illnesses or accidents?

For those in, or approaching, retirement, one question which begs asking is, “What are the odds of requiring long-term care?” Statistically, they are much higher than some may think. In fact, the question is not necessarily **if** any of us will need long-term care, but more likely **how** to pay for it. There are really only three options: rely on family-provided care, self-insure or purchase a long-term care insurance policy.

**Who conquers now shall rule
the coming years.**

Sarah Knowles Bolton

Family-Provided Care: Relying upon family members has a huge financial and emotional cost. Too many retirees in their 60’s and 70’s are tied down by care for one or more of their aging parents. Futurist Ken Dychtwald in his book *Age Wave* claims that one-third of adult care-givers are over the age of 65, and 90% of them are women. While care-giving may be an act of love, the caregiver is less likely to be enjoying her golden years with this added responsibility and stress.

Self-Insure: An extended stay in a nursing home can be much more damaging to your nest egg than a relatively normal market correction. Moreover, the volatile financial markets have underscored just how little risk most people can tolerate. At least the markets have a chance of going up again, whereas long-term care costs can continually erode your portfolio.

Long Term Care Insurance: Because not everyone will need long-term care immediately or at all, the premiums are small in comparison to the potential benefit. The goal of a standard long-term care package is to cover most or all of the high cost of long-term care. If you are willing to spend more on premiums, you can get higher per-day benefits, which could help defray the cost of pricier nursing homes or extended at-home care.

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The threat of long-term care costs affects the way people live during retirement. If you believe that you will incur huge medical costs down the road, you will be more frugal in retirement. This means that when you should be enjoying the golden years, you may take fewer and less expensive trips, avoid purchasing what you really want, and resist giving as much to grandchildren and charities as you really desire.

Long-term care insurance can provide the peace of mind you want during retirement. However, it's a jungle out there. There are good and bad companies, and many carriers without much experience are getting into the business. Policy options, benefits and definitions differ significantly so it's best to seek the advice of a knowledgeable, independent agent who can help you assess your needs and evaluate your options.

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