

92% of Older Americans Are Making This Major Retirement Mistake

It's a dangerous one at that.

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Retirement can be an expensive period of life, due in part to healthcare costs that only seem to climb from year to year. But while most seniors expect a large chunk of their income to be eaten up by medical care, many enter retirement wholly unprepared for a related expense that can be even more astronomical: long-term care.

It's estimated that 70% of seniors 65 and over will need some type of long-term care in their lifetime. Yet a whopping 92% of older Americans don't have a long-term care insurance policy, according to the Insured Retirement Institute. As such, a large number of seniors could inevitably be forced to bear that expense without any help -- and put their long-term financial security on the line as a result.

Hope for the best, prepare for the worst

Although most seniors do end up needing some type of long-term care, the cost of it can vary. Having a home health aide for a few months, for example, is a far less expensive prospect than having to move into a nursing home for several years.

Still, you can't assume that you won't need extended long-term care in retirement, and unfortunately, the costs involved are rather shocking. The average assisted-living facility in the country now costs \$48,000 a year, according to Genworth Financial's 2018 Cost of Care Survey. And if you think that's bad, check out the cost of nursing home care -- a shared room costs \$89,297 a year on average, while a private one costs \$100,375.



Of course, these are just averages. In some parts of the country, an extended stay in either type of facility can leave you with an even higher bill to contend with. And that's why you need long-term care insurance. Without it, you'll have no means of defraying the costs you might inevitably face in retirement, even if you kick off your golden years in perfect health.

Securing the coverage you need

The best time to apply for long-term care insurance is generally in your mid-to-late 50s. That's when you're most likely to snag a long-term discount on your policy's premiums based on your health. If you missed the boat on applying then, it's not too late to try in your 60s, particularly if your health is good. If it isn't, however, then you may have a hard time getting approved, or getting approved at a rate that isn't cost-prohibitive.

Ultimately, there are several factors that will dictate the cost of your premiums aside from your age and health. One factor is the maximum daily benefit your policy will pay. Another is the maximum period of time your policy will cover (though as a general rule, you should aim to get a policy that will cover your care for a two-year period at a minimum). Be sure to weigh your different plan options against the costs associated with them. A policy with a higher benefit will cost you more, but you'll have more protection down the line.

Keep in mind that if you expect to have a healthy level of income in retirement between savings, a pension, and Social Security, you may not necessarily need the most expensive policy with the greatest amount of coverage available. Remember, your goal in getting long-term care insurance should technically be to never have to use that policy, but rather, have it serve as a safety net.

If you're not going to apply for long-term care insurance, or you do apply but get denied, then be sure to talk to your loved ones about long-term care before you land in a situation where you need it. If a lack of coverage will likely result in a scenario where family members are forced to become caregivers, that's something you'll all need to prepare for. Similarly, if you're not equipped to handle the cost of long-term care as a senior, your family members may feel obliged to step in and help pick up the tab, especially if they're unable to act as caregivers themselves. Talking through your options will help everyone involved plan appropriately for the future. In fact, it's a smart conversation to have whether you ultimately end up securing a long-term care policy or not.