



# Women and long-term care

How to recognize and serve their unique needs

## WHITE PAPER

### OVERVIEW

The unpredictability of a health event requiring long-term care and its expenses is a risk most likely to keep clients up at night.<sup>1</sup> This risk can quickly derail even the most thought-out retirement income plan. Unfortunately, in comparison to their male counterparts, female clients are more at risk of potentially requiring long-term care or bearing the burden of providing care.<sup>2,3</sup>

This white paper reviews the heightened risk factors that women face, and the planning opportunities they open up for advisors.

#### Find valuable insights on their challenges

- Biological reasons why women are more likely than men to need long-term care
- Gender-biased sociological expectations regarding the role of caregiver
- The long-term financial risks of needing care or becoming a caregiver

#### Learn ways to deepen relationships with female clients

- How to identify prospects in your practice who may benefit from long-term care planning
- Effective communication strategies to open up long-term care conversations and discuss solutions

There are a variety of reasons why women make ideal candidates for long-term care planning. Most importantly, the risk for women is significant. In comparison to their male counterparts, females face a higher probability of needing care or becoming a caregiver.<sup>2,3</sup>

Today more so than ever, women have the purchasing power to fund their long-term care plans. With ever increasing dual-income households, women are earning and investing what they earn. They're also joint-decision makers in their family's investment decisions. In many instances, females are the primary breadwinners in their households.<sup>4</sup>

Research shows that women—more so than men—understand the importance of LTC planning, and are willing to share decision-making responsibilities with their advisors. They also are less likely to research financial products on their own, which suggests that women rely on their advisors to help them make informed choices.<sup>5</sup>

Because the advice most valued by women is minimizing the risk of asset depletion<sup>6</sup>, advisors should inform these clients about the many ways a long-term care event could affect their financial well-being in retirement.

### Why women are especially at risk

A confluence of trends have led to rising long-term care risk for women:

- ✓ Longevity
- ✓ Alzheimer's disease and dementia
- ✓ Women as caregivers
- ✓ Financial sacrifice
- ✓ High cost of long-term care

#### ► Longevity

On average, the difference between men's and women's life expectancies beyond age 65 is approximately 2½ years—with 55% of those women being single, divorced or widowed.<sup>7,8</sup> On the surface, these statistics support the longevity story; however, their true meaning goes much deeper.

The longevity bonus women experience creates a greater risk for care. A look at who currently receives long-term care shows this clearly: More than two-thirds of the long-term care population in both nursing homes and residential communities are women.<sup>9</sup>

**Women at age 65 have a life expectancy of 23 more years, or age 88.**

Source: Sponsored by American Academy of Actuaries and Society of Actuaries, "Actuaries Longevity Illustrator," <http://www.longevityillustrator.org> (accessed February 14, 2017).

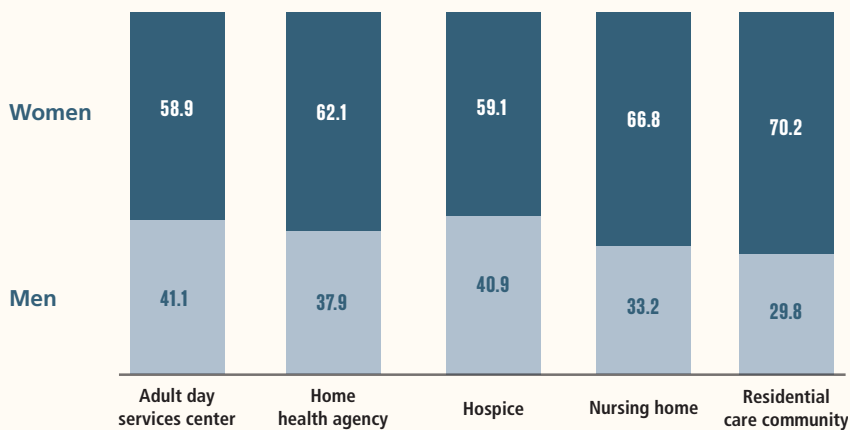
Although the type of long-term care women receive will depend largely upon their needs, each comes with a different price tag. The reality is that the vast majority of adults (80%), ages 65 and older, who need long-term care are living in private homes, not in institutions.<sup>10</sup>

Widows face economic and lifestyle hardships that couples might not, including:

- Lower household Social Security income
- Loss of pension benefits or reduced payouts to a surviving spouse
- More likely to live alone (69%) with no one in their household to help with daily activities<sup>11</sup>

## Who receives long-term care?

Percent distribution of long-term care services users, by sector and sex: United States, 2013 and 2014



Notes: Denominations used to calculate percentages for adult day services centers, nursing homes, and residential care communities were the number of current participants enrolled in adult day services centers, the number of current residents in nursing homes, and the number of current residents in residential care communities in 2014, respectively. Denominations used to calculate percentages for home health agencies and hospices were the number of patients whose episode of care ended at any time in 2013 and the number of patients who received care from Medicare-certified hospices at any time in 2013, respectively. Percentages may not add to 100 because of rounding. Percentages are based on the unrounded numbers. Sources: CDC/NCHS, National Study of Long-Term Care Providers and Table 4 in Appendix B.

### ► Alzheimer’s disease and dementia

Women are more predisposed than men to develop Alzheimer’s disease and other dementias. In the United States, of the 5.2 million of those ages 65 or older with Alzheimer’s, 3.3 million are female. At ages 71 and above, 16 percent of females suffer from these dementias in comparison to 11 percent of males.<sup>12</sup>

Studies indicate that there are a number of factors at play that may increase the odds that females are more likely than males to develop Alzheimer’s disease, such as:

- **The fact that women outlive men**—Age is the greatest risk factor for the disease.
- **Cardiovascular health in a female’s senior years**—Since men have a higher incidence of death due to heart issues in middle age than women, men who survive beyond age 65 may have healthier cardiovascular systems and a reduced risk of Alzheimer’s than females.
- **Genetics**—Studies show that females may be more genetically predisposed to develop Alzheimer’s disease.<sup>13</sup>

## ► Women as caregivers

Within their household, women are most likely to be the first, last, and most affected by a long-term care event. Women tend to be the primary caregiver more often than men (75%) and dedicate as much as 50% more time providing care than males.<sup>14</sup> On average, caregivers spend 24 hours a week caring for a loved one and nearly 1 in 4 provide 41 hours or more of care per week.<sup>15</sup>

The sacrifice made by many of these caregivers goes beyond personal time and includes time lost toward their career, parenting their own children, leading a healthy lifestyle, family life and more. Caregiving has been linked to depression and anxiety placing women more at risk than men for these two conditions.<sup>16</sup>

## ► Financial sacrifice

When women assume the role of caregiver often they risk serious financial consequences. They may need to put their careers on the back burner, reducing the hours they work or taking a leave of absence. Even though the Family Medical Leave Act gives job protection to millions of Americans, it does not guarantee paid time off. Only 13 percent of workers have access to paid family leave.<sup>17</sup>



\*Caregiving in the U.S. National Alliance for Caregiving and AARP, June 2015.

† LIMRA Secure Retirement Institute, "Challenges for Caregivers: How Employment Leave Impacts Women's Retirement Savings," September 2016.

Fewer hours on the job and less career advancement can also be linked directly to lower retirement income from Social Security, pensions and other retirement programs. The cost to women caregivers can be significant, amounting to \$324,000 in lost wages and Social Security benefits.<sup>18</sup>

## ► The high cost of long-term care

Regardless of where you live in the country the costs of long-term care can be staggering and will continue to rise. Plus, the cycle of care is not linear and it can become overwhelming quickly. Care can just as easily commence with the need for nursing home care as it can with an in-home health aid.

### Annual costs of common long-term care services

A 2016 survey highlights the cost of some common long-term care services:

|  |  |
|--|--|
| Full-time, in-home health aid          | <b>\$44,160</b> (\$184/day; \$3,680/month) |
| Private room in assisted living        | <b>\$54,720</b>                            |
| Full-time, in-home registered nurse    | <b>\$152,205</b>                           |
| Private room at a skilled nursing home | <b>\$102,930</b>                           |

Source: LTCG, "2016 Lincoln Financial Group Cost of Care Survey," <https://www.whatcarecosts.com/lincoln>, January 2017.

## Taking the lead with the women in your practice

Planning for long-term care happens when advisors and their clients take action and talk about it. Despite all the rational arguments for having the long-term care conversation, the meeting to discuss it can easily be postponed because of the emotional and uncomfortable nature of the conversation. However, research shows that women are more inclined to value planning for long-term care than men and therefore less inclined to postpone it.

### Financial services that women value more than or as much as men<sup>19</sup>

|                               | Women | Men |
|-------------------------------|-------|-----|
| Insurance planning            | 68%   | 58% |
| Long-term healthcare planning | 65%   | 57% |
| Eldercare planning            | 54%   | 44% |

### Approaching the conversation

There is no end game without having the conversation and there are several approaches to which women—and clients in general—will be receptive. Try them both and you'll learn to determine which approach to use when and with whom.

#### The emotional approach

Ask about the parents. Are they still alive?

Ask them about longevity in the family.

See if they have a personal experience as caregiver.

Women tend to be the primary caregiver and they may not want to place that burden on their children.

Use the data about increased risk of depression and anxiety for caregivers.

Remind them of the potential financial impact to caregivers, who may be their children.

Women say they want to stay in their home as long as possible. How will they pay for that care?

#### The balanced approach

Simply ask, "What's your plan for care?"

If predisposed to self-insure, ask them where they would pull their assets from first to pay \$100K–\$200K in long-term care expenses for year one.

How would they feel about that?

If widowed, divorced, or single and never married ask who would take care of them?

For single women, ask about how they would feel if their legacy were to disappear and would they want to insure against that?

## Discussing long-term care options

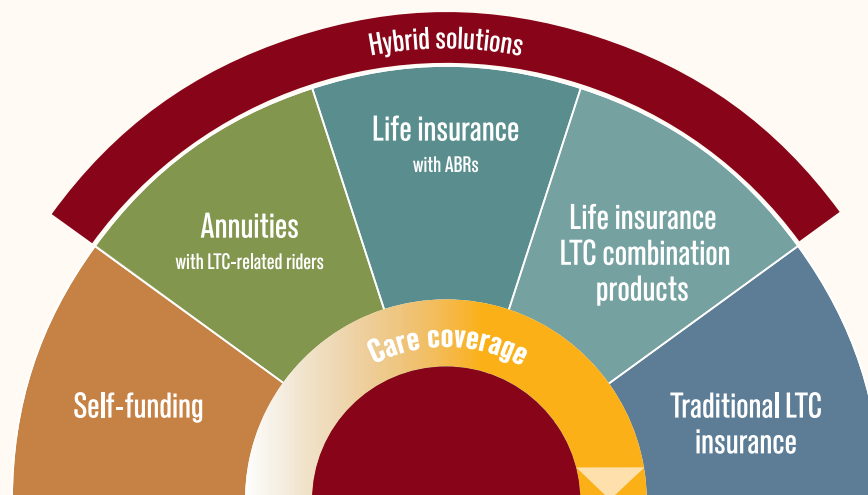
### The limited role of public programs

The massive presence represented by Medicare and Medicaid can lull seniors into a false sense of security when it comes to coverage for long-term care expenses for year one.<sup>20</sup> The U.S. Department of Health and Human Services warns consumers against this and their video explaining coverage limitations is featured on their website <http://longtermcare.gov/medicare-medicaid-more/>.

Medicare coverage is limited and focused on acute care. Medicaid does provide long-term care benefits; however, it is designed as a safety net for people with extremely limited assets and income. To become eligible to receive benefits under Medicaid, your clients would need to spend down assets, including real estate and sources of annual income, so that they are left with so little that it demonstrates their need for government support.

For most affluent individuals, private coverage has therefore become the backbone for protecting their assets from the high costs of long-term care expenses.

### The protection landscape has evolved



### The potential for self-funding

Clients who want to maintain control of their assets may consider self-funding. But the unpredictable nature of a long-term care event may cause even your wealthiest clients to think twice about this option. In addition to the risk posed by the high potential costs, self-funding also involves investment risks for the assets that will potentially be used to pay for care, as well as managing those assets during a long-term care event. Also, clients should consider the tax exposure they may open up by taking substantial portfolio withdrawals to self-fund their expenses.

## **Annuities with long-term care riders**

If a client is primarily interested in securing retirement income, and they want protection from long-term care expenses, they may consider an annuity with a long-term care rider. As a long-term investment vehicle designed for retirement purposes, an annuity provides a stream of income for as long as the annuitant lives. Clients concerned about sustaining their retirement income and the liquidation of other assets to pay for long-term care expenses can help protect both by adding a long-term care rider to an annuity. Often these riders provide additional income should the client require long-term care. However, the benefit may be restricted to care in a nursing home.

## **Life insurance with Accelerated Benefits Riders**

For clients who want the financial protection of a death benefit and added protection from long-term care expenses, life insurance with an Accelerated Benefits Rider (ABR) may be an option. It combines life insurance with access to death benefits, which, depending on the rider, can be used for long-term care expenses. Generally, the life insurance component offers clients the potential to accumulate cash value and leave a legacy for loved ones. The riders can be exercised to access the death benefits while living; however, the benefits are generally restricted to compensate for permanent chronic care or terminal illness, although some may offer benefits for recoverable conditions as well. With these policies the premium may not be guaranteed, and depending on the product, the death benefit may be reduced if the rider is exercised to pay for long-term care expenses.

## **Life insurance/long-term care combination products**

These products may appeal to clients who want a solution that offers other benefits if they never need long-term care. Combination solutions offer long-term care coverage as their primary objective, along with benefits that are more typical of life insurance. For example, a hybrid life/long-term care solution may offer a choice of a death benefit, cash value growth or return of premium, or a combination of those benefits. These benefits can be appealing to clients who see traditional long-term care policies as a “use it or lose it” proposition. If the client never needs the long-term care benefit, they may receive a return of some or all of the premiums paid. The premium flexibility of some of these solutions enables clients to pay in a single or limited-pay scenario. This also expands their potential appeal to clients of various ages and asset levels.

## **Traditional long-term care insurance**

If a client just wants a policy that covers long-term care expenses, traditional long-term care insurance is an option. These insurance policies are designed specifically for long-term care coverage. Premiums are paid on a continuous basis, and are generally less cash flow-intensive versus newer hybrid/life products. Traditional long-term care insurance helps clients cover out-of-pocket expenses for a variety of services, such as nursing home care, in-home care, assisted living and adult day care. If however, long-term care is never needed, clients do not receive any benefits or return of premium.

## Deepen your client relationships

Key findings from a LIMRA study about building lasting relationships with female clients suggests advisors:

- Anticipate the needs of women in their practice and make a more proactive effort to communicate with these clients
- Enlighten them about the financial concerns regarding longevity and ways to minimize risk
- Conduct one-on-one meetings with married female clients who may want to occasionally communicate about specific concerns without their spouse

Since women are most affected by the risks associated with long-term care, and understand the relevance of planning to secure their financial future, having a long-term care conversation can help strengthen your relationships with these clients.<sup>21</sup>

## Start by identifying potential female clients in your practice

|   |   |
|---|---|
| <b>Retired females</b>                                | They may think it's too late to start planning, but there are options that can help them protect their assets.  |
| <b>Millennial women (ages 20 to 35)</b>               | They are most likely to take action to protect their retirement savings. <sup>22</sup>  |
| <b>Women in health-related fields</b>                 | They may be more aware of long-term care issues and the importance of planning.   |
| <b>Professionals</b>                                  | They may have more disposable income and concerns about taxes; long-term care planning can help them leverage their assets in a tax-efficient manner. |
| <b>Single or divorced females</b>                     | They can feel confident that they are protecting their savings and their retirement lifestyle.  |
| <b>LGBT married couples</b>                           | They can benefit from planning with options that provide advantages for spouses.  |
| <b>Those with parents who haven't planned</b>         | Rather than being put in the role of caregiver, these females may want to purchase financial protection for their parents.                            |
| <b>Individuals who may have coverage through work</b> | The amount of financial protection may not be sufficient or they may have limited benefits.   |

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<sup>1</sup> Lincoln Financial Group and Hanover Research, Inc., "The Longevity Opportunity: Planning for Longer Lives as a Family (2015 Survey)," <http://newsroom.lfg.com/wealth-protection-expertise>.

<sup>2</sup> LIMRA Secure Retirement Institute, "Challenges for Caregivers: How Employment Leave Impacts Women's Retirement Savings," September 2016.

<sup>3</sup> Center for Disease Control, Vital and Health Statistics, "Long-Term Care Providers and Services Users in the United States: Data From the National Study of Long-Term Care Providers, 2013–2014," February 2016, [https://www.cdc.gov/nchs/data/series/sr\\_03/sr03\\_038.pdf](https://www.cdc.gov/nchs/data/series/sr_03/sr03_038.pdf).

<sup>4</sup> LIMRA Secure Retirement Institute, "The Road Ahead, Building Female Client Relationships to Last," 2017.

<sup>5, 6</sup> Ibid.

<sup>7</sup> See footnote 1.

<sup>8</sup> U.S. Census Bureau, "Current Population Survey, Annual Social and Economic Supplement, Table A1. Marital Status of People 15 Years and Over, by Age, Sex, and Personal Earnings, 2015," Internet data release November 2015, [https://aoa.acl.gov/Aging\\_Statistics/Profile/2015/5.aspx](https://aoa.acl.gov/Aging_Statistics/Profile/2015/5.aspx).

<sup>9</sup> See footnote 3.

<sup>10</sup> National Center on Caregiving, "Selected Long-Term Care Statistics," *Family Caregiver Alliance*, <https://www.caregiver.org/print/45>, updated February 2015.

<sup>11</sup> Renee Stepler, "Smaller Share of Women Ages 65 and Older Are Living Alone," *PewResearchCenter*, <http://www.pewsocialtrends.org/2016/02/18/1-gender-gap-in-share-of-older-adults-living-alone-narrows/>, February 18, 2016.

<sup>12</sup> Alzheimer's Association, "2016 Alzheimer's Disease Facts And Figures," <http://www.alz.org/facts/overview.asp>.

<sup>13</sup> Ibid.

<sup>14</sup> Family Caregiver Alliance, National Center on Caregiving, <https://www.caregiver.org/caregiver-statistics-demographics>, 2016.

<sup>15</sup> "Caregiving in the U.S. 2015," <http://www.caregiving.org/caregiving2015/>

<sup>16</sup> Womenshealth.gov, <https://www.womenshealth.gov/a-z-topics/caregiver-stress>, January 2017.

<sup>17</sup> See footnote 2.

<sup>18</sup> Peterson, J.D., Valerie., *ElderCounsel Blog*, "The Impact of Caregiving on Women," <https://www.eldercounsel.com/blog/impact-of-caregiving-on-women/>, September 14, 2016.

<sup>19</sup> See footnote 1.

<sup>20</sup> The Associated Press-NORC Center for Public Affairs Research, "Long-Term Care in America: Expectations and Preferences for Care and Caregiving," [http://www.longtermcarepoll.org/PDFs/LTC%202016/AP-NORC%20Long%20Term%20Care\\_2016.pdf](http://www.longtermcarepoll.org/PDFs/LTC%202016/AP-NORC%20Long%20Term%20Care_2016.pdf), May 2016.

<sup>21</sup> LIMRA Secure Retirement Institute, "The Road Ahead, Building Female Client Relationships to Last," 2017.

<sup>22</sup> See footnote 2.

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