

LONG-TERM CARE INSURANCE BASICS

A Q&A with Wealth Advisor Matt Shumaker

Long-term care can be one of the most important — and often overlooked — components of a comprehensive financial plan. With rising costs and a high likelihood that care will be needed at some point, understanding your options early can make a meaningful difference for both you and your family.

To help demystify the topic, GW&K's Wealth Advisor, Matt Shumaker, answers some of the most common questions around long-term care insurance, including how coverage works, when to consider it, and how it can fit into a broader retirement strategy.

Q: How common is the need for long-term care?

Matt Shumaker: It's more common than many people realize. The US Department of Health and Human Services estimates that about 70% of adults who live to age 65 will develop some form of long-term care need, and nearly half will require paid care during their lifetime.

Q: How long does long-term care typically last?

Matt: On average, long-term care lasts about three years. That said, women tend to need care longer than men — about 3.7 years versus 2.2 years according to the US Administration for Community Living* — so planning should reflect those differences.

Q: Are long-term care costs rising?

Matt: Yes, and that's one of the biggest planning challenges. Long-term care costs continue to rise at a high single-digit rate annually, which can significantly impact retirement savings if there's no plan in place.

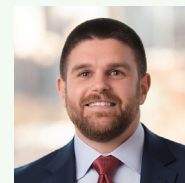
Q: What are the main ways people plan for long-term care?

Matt: There are two primary approaches: self-insuring or purchasing commercial long-term care insurance. Self-insurance often involves identifying and potentially liquidating assets — like selling a home — and accepting the emotional and financial burden that decision-making can place on family members. Commercial insurance transfers much of that risk to an insurer.

Q: What types of long-term care insurance are available?

Matt: There are three main types of commercial coverage:

- Traditional long-term care insurance, where you pay annual premiums and receive benefits if care is needed.
- Rider-based (hybrid) policies, which combine long-term care benefits with life insurance or annuities.



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- Linked benefit strategies, which typically pair life insurance with long-term care coverage, offering benefits for both care needs and heirs.

Each option differs in structure, cost, and how benefits are ultimately used.

Q: Who might traditional long-term care insurance be best for?

Matt: Traditional policies are often a good fit for individuals who want lower premiums, have a reliable income stream, are concerned about inflation, and are comfortable with the “use it or lose it” nature of the coverage.

Q: Why do some people prefer hybrid or linked policies?

Matt: Many clients don't like the idea of paying premiums and potentially never using the benefits. Hybrid and linked policies address that concern by offering a tax-free death benefit or refunding costs to beneficiaries if long-term care isn't needed, while still providing coverage if it is.

Q: When is the best time to shop for long-term care insurance?

Matt: While premiums are generally lower at younger ages, most people find the best balance between affordability and total cost when shopping between ages 60 and 65. After 65, premiums rise sharply and qualifying for coverage becomes more difficult.

Q: How hard is it to qualify for coverage later in life?

Matt: It becomes significantly harder. According to the American Association for Long-Term Care Insurance, about half of applicants between ages 70 and 74 are denied coverage, compared to fewer than one-third of those ages 60 to 64.

Q: What factors determine long-term care insurance premiums?

Matt: Premiums are based on several factors, including your age at purchase, the waiting period, length of benefit, daily benefit amount, medical condition at issuance, and other policy terms. Premiums are regulated by states and can be adjusted over time.

Q: Are there any tax advantages to long-term care insurance?

Matt: Yes. Premiums for tax-qualified policies, along with qualified unreimbursed long-term care expenses, may be partially tax deductible, depending on your situation.

Q: What does long-term care actually cost today?

Matt: Based on the 2024 Genworth and CareScout Cost of Care Survey, annual median costs range widely. In-home homemaker services, such as cooking, cleaning, and running errands, average about \$75,500, assisted living communities around \$70,800, and nursing home care can exceed \$111,000 per year for a semi-private room, with private rooms costing even more.

Next Steps

If you're wondering how long-term care planning fits into your overall financial picture — or which insurance approach may be right for you — we're here to help. A thoughtful conversation today can help protect your assets, your independence, and your family's peace of mind in the future.

[Contact us](#) to schedule a conversation with our team and take the next step in your long-term care planning.

Self-Insurance vs. Commercial Insurance

Self-insurance may require identifying and liquidating assets, like a home, and accepting the emotional costs of those decisions on the individual's family.

With **commercial insurance**, there are three main coverage options — traditional, rider-based (hybrid), and linked, as shown in the chart below.

Knowing which option to choose starts with completing a financial plan to understand your net worth and future sources of income. Once a financial plan is in place, it can be stress tested to help determine potential gaps in the event of a long-term care need while also taking into consideration your goals for passing assets to the next generation.

	Traditional	Rider Based (hybrid)	Linked
Structure	Pay an annual premium and receive benefits once needed	Pay annual premium, often for set amount of years	Purchase multiple different policies — typically life insurance and traditional long-term care
Care coverage	Skilled, intermediate care, or custodial care	Skilled, intermediate care, or custodial care OR annuity/life insurance death benefit	Skilled, intermediate care, or custodial care AND life insurance death benefit
Premiums	Lowest	Highest	Average
Additional benefits	None	Includes supplemental life insurance or annuity rider and ability to access cash	Allows purchaser to select longer waiting period, reducing premiums and returning out of pocket costs upon death
Using coverage	Use it or lose it	Tax-free death benefit payable to beneficiary if insured dies without needing coverage (“Return of premium”)	Long-term care costs are paid out of pocket during longer waiting period, if policy is used, death benefit passed to heirs, refunding out of pocket costs
Ideal Client	Prefers lower premiums, has income stream, concerned about inflation, and willing to accept risk of not using benefits	Concerned about “use it or lose it” with traditional life insurance	Wants to hedge against not using policy by creating death benefit that will refund cost of policy at death: Still get life insurance benefit if they end up using long-term care policy as well

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Our team of private wealth advisors can help you manage your assets and plan for the future. Our Private Wealth services include guidance on wealth transfer planning, lifestyle, and overall asset allocation. We encourage you to get in touch with us for more information about how we can help.

Sources:

- [“How Much Care Will You Need?” LongTermCare.gov](#)
- [What Is the Lifetime Risk of Needing and Receiving Long-Term Services and Supports? | ASPE](#)
- [Cost of Long Term Care by State | Cost of Care Report | Carescout](#)
- [American Association for Long-Term Care Insurance, www.aaltci.org](#)
- [2024 Long-term Care Insurance Statistics Data Facts](#)
- [LTC Rate Increase Landscape Update | SOA](#)

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