

HOW DO I PAY FOR THIS

Patriarch placement

The Cost of Assisted Living

If you haven't planned for senior living care, you aren't alone. Few people do - either because they don't think they'll need it or because they want to save their assets for their children and believe that government subsidies will cover any care they need. Sometimes people have a false sense of security about what their insurance will pay. It's important to know right up front that Medicare will not pay for assisted living.

The average cost for a private room in an assisted living residence is \$3,500 per month in our area. Costs vary with the residence, apartment size, and types of services needed. Most assisted living residences charge on a month-to-month lease arrangement, but a few require long-term arrangements. Lets look at ways you can fund your care!

Top sources

for funding care:

1. Home
2. Savings
3. Investments
4. Private Insurance
5. Veterans Benefits



Key Points

- Get a clear picture of your finances
- Compare the cost of staying in your home vs. a community
- Be honest about the help you need today and in the future

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We know that for most of us we have been taught that it is rude to ask someone about how much money they make. Many of us have never discussed with our families how much money we earn or have saved. However now is the time to get honest with yourself and your loved ones about your financial resources. It is important to get a clear picture of what your resources are. With a clear budget you can then look at options that will work for you. Paying for assisted living is often seen as a challenge, but with the right amount of planning and foresight, assisted living can be an affordable option for many seniors.

Remember we are here to help

We work with many estate planners, financial advisors, elder law attorneys and many other professionals who can help you. Please be sure to share your concerns with us and we will direct you to the help you need.

Sources to fund your care

Consider selling or renting your home:

If nobody needs to remain in the home, this can be a valuable resource. Many times Mom and Dad's house is treasured and families aren't ready to take this huge step. If that's the case, consider renting the home which will give you a monthly income that could cover the cost of assisted living.

Long Term Care Insurance:

If you have a Long-Term Care insurance policy, it should cover assisted living as well. If there is a policy designated for home care, it should be able to be used for assisted living too. There are "facility-only" policies which covers care only in a licensed assisted living facility or skilled nursing facility.

Most insurance policies are very hard for the general public to understand, but knowing your benefits will be very helpful in making sure you get what you have paid for. It is very common for insurance companies to decline payment on the first go round. Many times you or an advocate at the assisted living facility will need to contact the insurance companies and discuss these issues in order to get approval. To qualify most companies will require that you need help in at least two areas of ADL's (Activities of Daily Living) such as bathing, eating, dressing, transferring from bed to chair, walking, and toileting.

Long Term Care insurance benefits vary widely depending on the policy. Benefits can range from \$1,500 to more than \$9,000 per month.



Life Insurance:

When we think of Life Insurance benefits, we typically think that the funds are not available until the person's death. But a life insurance policy can provide financial support now, if that's when the money would be most helpful. There are several different ways that policies can be used to pay for care while the person is still alive. Ask your Life Insurance Agent about cashing out the policy, accelerated, or living benefits. It can be called any of those terms. What usually happens is the company will buy the policy back for 50 to 75 percent of its value. The rules will be different depending on the company and type of policy. Some policies can only be cashed in if the policyholder is terminally ill; others are much more flexible.

If the company won't cash it in, you can sell the policy to a third-party company in return for a "life settlement" or "senior settlement," which is usually 50 to 75 percent of the policy's face value. After buying the policy, and giving you the percentage, the third party company continues to pay the premiums until the policyholder dies. At which time the company receives the benefits.

There are also options called "life assurance" benefit or life insurance conversion program. This allows seniors to switch the benefit of a life insurance policy into long-term care payments. Life insurance conversion typically pays between 15 and 50 percent of the value of the policy. Although this is less than a life settlement, it is an option for lesser-value policies that might not qualify for life settlement.

Reverse Mortgage:

If you own your own home and your spouse still needs a place to live, a reverse mortgage might be just the solution you're looking for. This allows you to borrow money on the equity you have built up in your home. When the last person is gone from the home, the money needs to be repaid which usually means selling the home. This is probably not the best choice for a home that you want to keep in the family.

Bridge Loan:

If you have trouble liquidating assets quickly, these short term loans are becoming more popular. They are usually available up to \$50,000 and designed to fund the move to assisted living. Usually used while waiting for the sale of property or to be approved for a pension.

Private Pay:

Personal income or savings is the simplest route, but the cost of a month's rent can quickly use up your savings. You can also cash in personal investment portfolios, like 401k plans or IRAs. Often paying out of pocket is beyond what many can afford for very long. However, when all your resources have been exhausted, you can apply for Medicaid.

Veterans Benefits:

The VA (Veteran's Administration) can be very generous when taking care of those who served. If you or your loved one is a veteran, you may be eligible for benefits that can be used to pay for residential care. If you have service-related injuries or disabilities it will be easy.

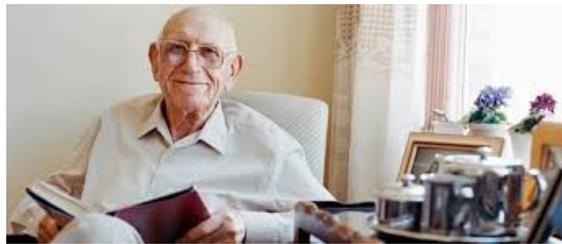
But there is another set of benefits, known as "Non-Service Connected Improved Pension Benefit with Aide and Attendance" (Aid and Attendance for short) that pays toward the cost of assisted living. This is available to veterans or a surviving spouse who is disabled and whose income is below a certain limit. A veteran must have served at least 90 days on active duty and/or at least one day during wartime. The medical condition doesn't need to be service related, but you must meet medical qualification. The average is a maximum monthly benefit for:

Surviving Spouse \$1149

Single Veteran \$1788

Married Veteran \$2120

Veteran Couple \$2837



People are often told that they have too many assets to qualify for the program. These folks are not told that they could make some re-allocations or adjustments to their assets without being penalized and then they could qualify! Anytime a person tries to "safeguard" their finances or assets, it can be quite tricky. You must make absolutely sure that doing this does not affect eligibility. It is also very important to note that this benefit is a reimbursement for the out of pocket expense of care. You must be paying for care at home or moving into an assisted living community in order to apply.

You will need to apply through the Veteran's Administration. Along with your military discharge papers, you will need a valid medical condition that makes you appropriate for assisted living with a letter stating such from your doctor. It may decrease time in the office if you also complete the formal application form "Veteran's Application for Compensation and/or Pension". VA FORM 21-526, Parts A, B, C, and D.

*Please note: Applying for VA benefits can be a little overwhelming but well worth the effort. We will be glad to direct you to some wonderful people who will be happy to help!

Annuity:

If you have a sizable savings but are worried about outliving your resources, you may consider an annuity. When you purchase an annuity, you pay a lump sum to the underwriters and then you will receive regular payments over a specified time period (usually the rest of your life).

This is one way you can stretch out your money and make sure that you will always have some money coming in even if you live longer than you expected. It is wise to have an accountant or financial adviser help you set up an annuity.