Nursing home, assisted-living expenses can decimate savings

By Jake Lowrey

People pondering their retirement years often conjure images of spending more time on a favorite pastime or traveling around the country or the world.

Health concerns can intrude on those idyllic scenes, though, not only affecting enjoyment of life but also punching a heavy dent in retirement savings.

As we age, usually our medical or long-term care expenses increase, sometimes depleting our assets to a level of crisis.

It’s important for retirees, and anyone planning for retirement, to become educated about what the pitfalls are and what they need to do to avoid losing their life savings.

Long-term care especially can burn a hole in savings accounts. In 2012, for example, nursing home care averaged $74,800 a year, according to a report by the Henry J. Kaiser Family Foundation.

Meanwhile, assisted living facilities averaged $39,500 per year, and home-health services averaged $21 per hour.

More than 10 million Americans need some sort of long-term care, the Kaiser report said. That number covers all ages, even children, but about half are people 65 and older.

Those older Americans had looked forward to enjoying their golden years. They should be able to have actual golden years instead of what can end up being scary years, both personally and financially.

Certainly, being able to maintain good health is a key factor in protecting savings and making retirement enjoyable and satisfying, he says.

But life doesn't always work out that way. Fortunately, there are strategies seniors can use to lessen the impact of expenses brought on by long-term care needs.

Some of those include:

• **VA benefits.** Military veterans may be able to offset nursing home or assisted-living expenses through benefits provided by the U.S. Department of Veteran Affairs. A veteran's eligibility for long-term care services would be determined based on his or her need for ongoing treatment, personal care and assistance, as well as the availability of the service in the area where the person lives, according to the Department of Veteran Affairs.

Other factors, such as financial eligibility, a service-connected disability, insurance coverage, and/or ability to pay may also come into play.

• **Medicaid compliant SPIAs.** A SPIA is a single-premium immediate annuity. Typically, a SPIA is a contract with an insurance company where you pay the company a sum of money up front (the premium), and the company promises to pay you a certain amount of money periodically for the rest of your life.

A Medicaid compliant SPIA is a specially designed annuity that pays out over the person's "life expectancy" and has other specific characteristics. A couple who put money in a Medicaid annuity are able to avoid having the income from that annuity count against the financial assistance a spouse receives for nursing home care.

• **Setting up a trust.** Trusts can help shelter wealth from the look-back periods in Medicaid requirements and assist in qualifying for VA programs, among other advantages.

Jake Lowrey is a financial consultant and president of Lowery Financial Group, an ethical and professional firm that guides clients to retirement success, including planning for long-term care needs.