



# “Preparing for Your Quarter Million Dollar Old Age”

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# Population Statistics

Life expectancy at age 65: 18.5 years  
(average)

Population age 0-19: 27.5%

Population 65+: 12.4%

Projected population growth (2005-2025);

Age 0-19 years: 12% growth

Age 60+: 70% growth

*Source: US Census Bureau*

# Cost of Raising a Child: Birth to Age 17

- Family income >\$70,200: \$269,520  
(housing, food, transportation, clothing, health care, child care, school)
- Family income \$41,700-\$70,200: \$184,320
- Family income <\$41,700: \$134,370

*Source: US Department of Agriculture (2004)*

# The small Print

The costs quoted by the USDA do not include a COLLEGE EDUCATION. That adds an additional \$20,000-\$150,000 for a 4- year degree

# Estimate of the costs of health care in retirement

\$240,000

(includes deductibles & coinsurance, Medicare Part A, B & D premiums, out-of-pocket prescription drug costs, some services excluded by Medicare)

An increase of 50% from 2002

*Source: Fidelity Investments (2009)*

# The small Print

Fidelity Investments did not include other health related expenses such as over-the-counter medications, most dental expenses and LONG TERM CARE.

# What is long term care?

Long term care is needed when you have a chronic illness or disability that causes you to need assistance with Activities of Daily Living. Your illness or disability could include a problem with memory loss, confusion or disorientation.

*Source: US Department of Health & Human Services, National Clearinghouse for Long-Term Care Information*

# How do we prepare for the first 18 years of life?

We talk about:

- Saving for college
- Buying life insurance
- Establishing trust funds/living trusts
- Appointing guardians
- Appointing durable powers of attorney
- Writing wills
- Etc., etc., etc.









# How do we prepare for the last 18 years of life?

We don't want to talk about it!

- 2/3 of Americans believe it's important to plan
- <1/2 (44%) say they have taken steps (most involves increased savings)
- Need for long term care is attributed to "someone else"
- Cost of long term care is underestimated

- Misconception that Medicare will cover these costs
- Reluctance to spend \$\$ on something won't use

*Source: Time Magazine, February 8, 2011*

- <10% of Americans have long term care insurance

*Source: US Department of Health & Human Services, National Clearinghouse for Long-Term Care Information*

# The Real Reason

We're not going to get old.



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**WHY should we be preparing?**

# 10 Leading Causes of Death Age 65+

10. Septicemia (immune system response to infection)
9. Unintentional Injury
8. Nephritis (kidney disease)
7. Influenza & Pneumonia
6. Diabetes Mellitus
5. Alzheimer's Disease

# 10 Leading Causes of Death Age 65+

4. Cerebrovascular Diseases (e.g. stroke)
3. Chronic Lower Respiratory Diseases (e.g. asthma, emphysema and chronic bronchitis)
2. Malignant Neoplasms (cancer)
1. Heart Disease

*Source: Centers for Disease Control*

# Chronic Diseases

- Chronic diseases are the leading cause of death and disability in the US
- More than half of Americans suffer from one or more chronic diseases
- Arthritis is the most common cause of disability, with nearly 19 million Americans reporting activity limitations

*Source: Centers for Disease Control*

# Chronic Diseases

- American Heart Association estimates that 64.4 million Americans have one or more types of cardiovascular disease
- Asthma: 15 million people
- Diabetes: 17-18 million people
- Alzheimer's disease: 4 million people
- Parkinson's disease: 1.5 million

*Source: Centers for Disease Control*

# Risks of Needing Long Term Care

- 70% of individuals over age 65 will require at least some type of long term care services during their lifetime.
- Over 40% will need care in a nursing home for some period of time.

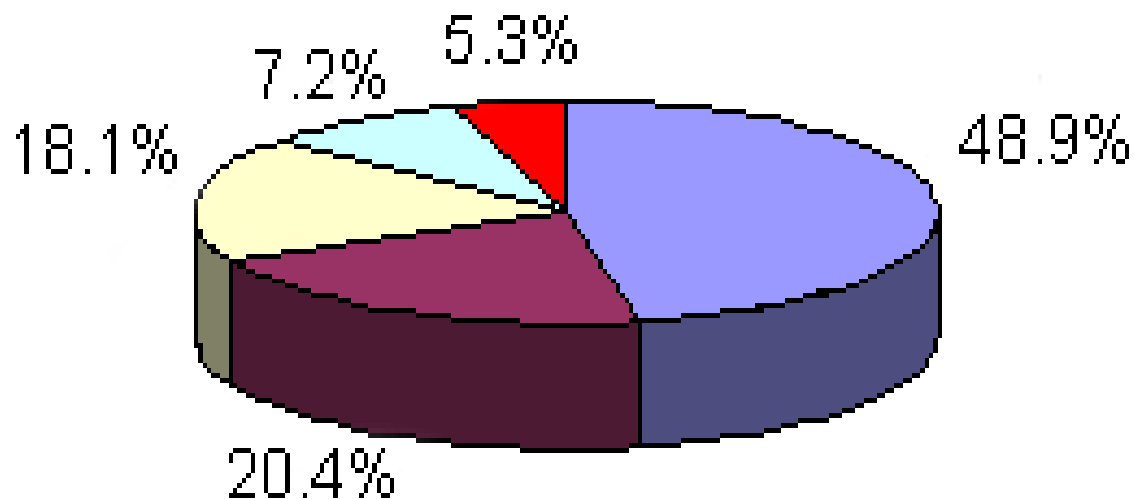
*Source: US Department of Health & Human Services, National Clearinghouse for Long-Term Care Information*

# How much care?

- On average, someone age 65 today will need some long-term care services for three years (women: 3.7 years; men: 2.2 years)
- 20% of those over 65 will need care for more than 5 years
- The need for long-term care is usually developed gradually

*Source: US Department of Health & Human Services, National Clearinghouse for Long-Term Care Information*

# Who pays for long term care?



■ Medicaid

■ Out of Pocket

■ Medicare

■ Private insurance

■ Other public/private

# Consequences of NOT Planning

- Spending down your assets to qualify for Medicaid
- Limiting your choices
- Being forced to rely on family

# Relying on Family Members...

- Value of services provided by family caregivers to older adults: \$375 billion/year
- Family caregivers exceed Medicaid long-term care spending in all states

# Relying on Family Members...

- 78% of adults living in the community and in need of long term care rely on family & friends

*Source: National Family Caregivers Association/National Alliance for Caregiving*

# The Cost to the Caregiver

- 47% use up all or most of their savings
- 23% who care for loved one >5 years report health is fair to poor
- Stress of caring for persons with dementia impacts person's immune system for up to 3 years after caregiving ends

# The Cost to the Caregiver

- 40%-70% clinically significant symptoms of depression

*Source: Studies cited by National Family Caregiver Association*

# HOW should we be preparing?

By talking about:

1. What is your vision for your later years?
2. How will you pay for long term care services?
3. Where will you turn for long term care services?

# What are some of the current options for planning for the last 18 years?

- Continuing care retirement community
- Long term care insurance
- Continuing care at home
- Self-insure

# CCRCs

- 754,000 older adults reside in CCRCs
- Life Care contracts:
  - Entry fee: \$160,000-\$600,000
  - Monthly fee (all levels): \$2500-\$5400
- Industry currently struggling with low occupancy levels due to downturn in real estate market

*Source: Wall Street Journal, August 7, 2010*

# Long Term Care Insurance

Average annual premium amounts paid in 2007 (averaged for all ages within specific age group).

All ages \$2,207

Under age 40: \$881

40 to 49: \$1,781

50 to 59: \$1,982

# Long Term Care Insurance

All ages \$2,207

Under age 40: \$881

60 to 64: \$2,249

65 to 69: \$2,539

Age 70+: \$3,026

*Source: LIMRA International 2008*

# Community Living Assistance Services Act (CLASS)

- New national long-term care insurance program
- Offered through employers (voluntary, may opt out)
- Monthly premium for 5 years before eligible for benefits
- Benefit of not <\$50/day (scaled to level of disability)
- Effective 2012?

# Continuing Care at Home

- Developed in 1980s as alternative to campus-based CCRC
- 8-10 programs across the US
- Cadbury at Home (NJ):
  - \$25,000 average one time member fee
  - \$550 per month

*Source: Senior Living Business Newsletter (June 2010)*

- Friends Life Care (PA)
  - \$3000 average annual fee

# Self-Insure: Home Care

- Home health aide: \$21/hour  
(\$43,680 for 8 hours/day, 5 days/week)
- Homemaker services: \$19/hour
- Adult day care: \$67/day  
(\$17,420 for 5 days/week)

*Source: US Department of Health & Human Services, National Clearinghouse for Long-Term Care Information*

# Self-Insure (2009 costs)

- Nursing home/semi-private room:
  - \$198/day; \$72,270/year
- Nursing home/private room:
  - \$219/day; \$79,935
- Assisted living facility (1-bedroom unit)
  - \$3131/month; \$37,572

*Source: US Department of Health & Human Services, National Clearinghouse for Long-Term Care Information*

# Role of Geriatric Care Manager

- Assess the type of care that is needed
- Make arrangements for the care
- Oversee care (especially in the home)
- Evaluate residential options

**What else could we be doing to  
prepare?**

Add “Vitality” to your financial plan!

**70% of physical decline past  
the age of 65 is related to  
MODIFIABLE factors?**

(Smoking, poor nutrition, lack of physical activity, fall related injuries and failure to use prevention services)

*Source: Gerontological Society of America,  
The State of Aging in America, 2007*

# World Health Organization

80% of heart disease and  
40% of cancers  
could be prevented  
with a healthy diet and lifestyle.

# Current Scientific Research

- Older people with sense of purpose 2.4 times less likely to develop dementia (Rush University Medical Center)
- 8-week mindfulness meditation program makes measurable changes in brain regions associated with memory (Massachusetts General)

# Current Scientific Research

- Learning new things in later years can help maintain and improve the brain (National Institute on Aging)
- Aerobic activity the most promising strategy for avoiding dementia (National Institutes of Health)

# Current Scientific Research

- Solid exercise regime started after the age of 50 can raise an individual's longevity to that of those who have been exercising throughout the years (British Medical Journal)
- Likely correlation between sleep, longevity and health (University of Portland and University of California, San Diego)

# Current Scientific Research

- Healthy eating is associated with reduced risk for many diseases, including the three leading causes of death: heart disease, cancer and stroke (Centers for Disease Control).
- Adults who have more positive thoughts about aging lived more than 7 years longer than those with negative beliefs (Yale University)

# Current Scientific Research

- Humor promotes quicker healing and better health (University of Virginia)
- Older adults are happier and healthier if they participate in groups that seem meaningful to them (National Institutes of Health)



**running**  
**STRONG**

**Don't drag your feet about  
planning for your future....**

***SPRINT!!!***