



## Long Term Care Insurance – Protecting you from the high costs of care

Liz Horn, Program Manager, Insurance

*Planning for long-term care is becoming increasingly more important to clients. As they and their parents age and/or require long-term care, the impact is felt more fully, raising awareness of the benefits of planning **before** someone requires care. In addition to giving thought to the “quality of life” issues around long term care, it’s also important to be aware of the cost of care. Long Term Care Insurance may be a key factor in helping clients have the kind of care they want. It’s a tool to create an “income stream” to help pay for care. Let’s review this topic more closely.*

### Why is Long Term Care Insurance desirable?

Medical advances allow us to live longer than ever. An increased lifetime also presents added risks related to an extended debilitating condition in the near or distant future:

- Many Canadians will require care at some point in their lives
- After age 65, 44% of men and 72% of women are expected to develop either a cognitive impairment or a need for help with two or more activities of daily living for at least 90 days. <sup>(1)</sup>
- Approximately two-thirds of Canadian adults who need help with eating, bathing or dressing do *not* receive that help from the government <sup>(2)</sup>
- Long term care costs can be high
  - Accommodation in a long-term care facility can cost from \$900 to \$5,000 per month depending on the room type (ward, semi-private, private) and the level of government funding available in your province
  - The cost range is much higher for private care residences, which are not publicly-funded

### What Care Costs can be per year (average across Canada) <sup>(3)</sup>

Service	Annual cost
Home nursing assistance - one hour a day at \$55/hour	\$20,025
Personal care (e.g., help with dressing and bathing) – four hours a day at \$22/hour	\$32,120
Homemaking – 14 hours a week at \$20/hour	\$14,560
<b>Total if only the above are needed for “lighter” care</b>	<b>\$68,215</b>
Live-in caregiver – \$200 per day	\$73,000
Accommodation in a private care residence - \$6,000 per month (including care costs)	\$72,000

**Additional Points about care costs:**

- Note that the above costs are “current costs”. This is what people are paying now. The question remains – what will future care costs look like? The aging population and restrictions on government funding may lead to significant increases in care costs down the road. Clients should plan ahead now while they are healthy.
- Clients typically want to remain in their homes as they age. Home care costs can vary by region, but range from \$15 to \$30 an hour for homemaking and personal care to between \$25 and \$85 an hour for nursing care.<sup>(3)</sup>

**Who buys Long Term Care Insurance?**

- Those planning for retirement or retired individuals (the younger you are, the more affordable the coverage and the more likely you are to qualify based on health). The typical age range for purchasing long term care insurance is 45 to 65. According to LIMRA, the average age of a Canadian purchaser is 50, and over half of purchasers are women.
- Products are available for purchase up to age 80, but in the later years it becomes more difficult to get through underwriting and the premium costs go up.
- Entrepreneurs, contract and seasonal workers, or stay-at-home parents whose lack of insurable earnings prevent them from obtaining disability insurance
- Those who have accumulated substantial investment assets and want to protect them
- Those who believe that the government will not be able to care for them
- Those who do not want to be a burden to their spouse, family or friends
- Anyone who wants choice, control and flexibility around what type of care, and where, they receive it
- Anyone who wants to maintain their dignity during a time where they are dependent on others for their daily existence

**Why does it work?**

- Provides an income if you become dependent on other people for care; measured by the inability to independently perform 2 out of 6 Activities of Daily Living (bathing, dressing, feeding, toileting, maintaining continence, transferring)
- Prevents use of your capital (protects assets) if you need to pay for long term care services such as nursing, therapy, personal care, homemaking, or supervision

**Works cited**

Marc A. Cohen, Ph.D., Maurice Weinrobe, Ph.D., Jessica Miller, M.S., Anne Ingoldsby, MPH, RN. [“Becoming Disabled After Age 65: The Expected Lifetime Costs of Independent Living”](#). American Association for Retired Persons, 2005. Web.

Wilkins, Kathryn. [“Government-subsidized home care”](#). Statistics Canada - Health Reports, Vol. 17, No. 4, October 2006. Web.

RBC Insurance and TakingCare Inc. “Long Term Care in (province) – 2010”. November 2010. Print.

This publication is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. The information contained herein has been obtained from sources believed to be reliable at the time obtained

but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. The examples provided in this article are for illustration purposes only and are not indicative of future returns; fees and commissions are not included in these calculations.

This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information.

Insurance products are offered through RBC Wealth Management Financial Services Inc. ("RBC WM FS"), a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC WM FS. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC WM FS. RBC DS WM FS is licensed as a financial services firm in the province of Quebec. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ®Registered trademark of Royal Bank of Canada. Used under licence. ©RBC Dominion Securities Inc. 2012. All rights reserved.