

# Dignity for life: protect your assets and your quality of life



Each year, thousands of Canadians face the reality of needing long term care services – either for themselves or for a family member. The key is being prepared, no matter what may come our way.

## WHAT IS LONG TERM CARE?

Long term care is the medical and social services term for helping people who develop disabilities or chronic care needs. Basically, in the event you can no longer care for yourself, you will require long term care. For example, there may be a time when you or a loved one needs help walking, getting dressed, eating or bathing. This need can develop due to such things as arthritis, cancer, heart disease or simply frailty due to old age. Long term care services also include the kind of care you would need if you had a severe cognitive impairment such as Alzheimer's disease.

Long term care needs can be either for a brief period with full recovery, or it can go on for many years. Once a long term care situation arises, most often it is intended to help a person maintain a level of functioning and not about "curing". Long term care services can be provided in a person's home, in the community or in a residential facility such as a nursing home or assisted living facility.

## WHO WILL PAY FOR LONG TERM CARE?

Many people believe that the government will take care of handling all the costs and care services they will require when

they can no longer care for themselves. The reality is, while the government may provide some assistance, there are limitations. In order to maintain a dignified quality of life, many people pay for care services out of their own pocket. These costs can be significant:

- › Accommodation in a long term care facility (including retirement homes/residences) can cost from \$1,600 to \$9,000 per month depending on the room type and the level of government funding available in your province\*.
- › In Ontario, private home care services can cost up to \$30 per hour for homemaking and personal care to between \$23 and \$70 per hour for skilled nursing care\*.

If you're like most people who need care, you may prefer to stay in the comfort of your own home. For this reason, many people do receive care at home instead of, or prior to, a nursing home stay. If 24-hour care is required, it can easily add up depending on the type and quality of care you desire. Although most people do not opt to be in a facility, circumstances may dictate that this is the most favourable option. If you choose to live in a retirement home, care costs will be over and above your accommodation cost. In addition to home care and accommodation costs, there may be "hidden" costs such as equipment (e.g. bath lift, walker with wheels, wheelchair) or personal care items which can add up over time.

\* RBC Insurance, Long Term Care In Ontario - 2010

## Tom Caldwell Wealth Management Group

613-721-8656  
tom.caldwell@rbc.com  
www.tomcaldwell.ca



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## WHAT ARE CANADIANS THINKING ABOUT LONG TERM CARE?

A 2007 survey, conducted by Market Probe Canada with 1,008 people aged 35 to 75, revealed that the need to plan for protecting assets and income from the unexpected costs of long term care is coming ever more into the consciousness of Canadians. General feelings about long term care include:

- › 57% worry about their ability to pay for care when they will need it
- › 67% fear deteriorating physical health
- › 90% feel that preparing for your own long term care needs is the responsible thing to do

### CASE SCENARIO

#### ASSET EROSION DUE TO A LONG-TERM CARE NEED

In this example, a 60-year-old widow has \$500,000 of registered assets and \$500,000 of non-registered assets. She has a desire to provide her three children, and grandchildren, with as much of her accumulated assets as possible but she was recently diagnosed with Alzheimer's and her cognitive abilities have been deteriorating rapidly. After five years she needs around the clock care and supervision. Her family can't afford to take time off work to look after her and provide her with the care she requires. To provide the care she needs at "the best" facility, living expenses and taxes, she needs to withdraw \$6,500 a month from her investment portfolio.

If she has an indefinite care need, by age 79 she will have exhausted her investments and run out of money to pay for care.

If she had insured her risk of a long term care need prior to diagnosis, her insurance proceeds could have offset a portion or all of her care costs – depending on the chosen level of protection she chooses. At age 60, if she had chosen a solution that provided \$300 per day of benefits, the investment assets she wanted to provide to her family could have been secured, while she received the care required.

## IN SUMMARY, WHAT ARE THE OPTIONS FOR PREPARING FOR LONG TERM CARE?

There are basically three options:

### 1. Relying on the government to fund and provide all your care needs

Most people realize that, given the aging population and the strain this places on our health care system, we will largely be responsible for the cost of our caregiving as government coverage is limited. This may require family and friends to chip in and help out with care. This can be very stressful and costly from a financial, physical and emotional standpoint for family members.

### 2. Relying on your own resources to pay for care

With increased pressures caused by Baby Boomers aging, it's reasonable to expect that long term care costs will escalate. Most people have a goal to avoid the liquidation of assets that they have accumulated for themselves and their family. It may be an attractive decision to put in place a plan that will help cover the costs of long term care, to avoid asset erosion.

### 3. Long term care insurance

This is a relatively new insurance product in Canada that provides a regular source of funds to pay for long term care, relieving the burden and financial uncertainty, and providing options and flexibility for choice and location of care. The survey mentioned earlier also showed the main reasons people purchase long term care insurance:

- › 82% do not want to be a burden on family
- › 80% want the option of choosing where to receive care
- › 76% want control over decisions about care
- › 75% want to make sure their dignity is maintained
- › 72% wish to preserve assets for their partner
- › 71% want to ensure a high quality of care
- › 61% wish to leave an inheritance for their children

## NEEDING LONG TERM CARE SHOULDN'T LEAVE YOU WITHOUT CHOICES. BEFORE YOU NEED CARE, ASK YOURSELF:

- › What quality of care do you want?
- › Where do you want to receive care (in your own home, a retirement home, a facility)?
- › How will your family cope, financially and emotionally, with caregiving?
- › Do you really want to use your savings and investments for long term care?

› What might your reasons be for purchasing long term care insurance? Doesn't it make sense to plan ahead before the need arises? Talk to us today about maintaining your "dignity for life".



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