LONG-TERM CARE
MORE THAN A HEALTH ISSUE
Planning for Long-Term Care Can Directly Impact Financial Well-Being in Retirement
“Americans are expected to live longer in retirement, sometimes up to 25 or 30 years. This trend coupled with the ever-rising cost of health care and nursing home care can become a significant factor in planning for a financially secure retirement. It’s more important than ever to educate consumers on how long-term care needs can affect their financial security in retirement, and help them find smart solutions to be ready for these potential challenges.”
—Vivian Banta, Vice Chairman, Prudential Financial

“The elderly population, many of whom could require long-term care services, will more than double in the next 25 years to over 70 million. With the costs of nursing home care running $61,000 a year on average, it is prudent for Americans to make long-term care an integral part of their overall retirement and financial planning to protect their assets, their choice of care and their independence should the need for long-term care arise.”
—Andy Mako, Senior Vice President, Prudential Long-Term Care Insurance
The Impact of Long-Term Care on Americans’ Retirement Security

PROTECTING FINANCIAL WELL-BEING
As Americans live longer in retirement, many may eventually need some form of long-term care either at home or in a nursing home setting. Even today, many have dealt with the difficult decisions surrounding the care of an elderly parent, or been faced with the high cost of nursing home care. In the next few years, millions of baby boomers will begin retirement. Study after study has shown that many may not have sufficient savings to support a comfortable retirement, and the prospect of draining one’s hard-earned life savings on just a few years of nursing home care should be alarming to anyone who wishes to stay independent and not become a burden to their loved ones during their sunset years.

Recent studies conducted by Prudential Financial to assess Americans’ preparedness for retirement, found that long-term care is not just a health care issue, but central to financial security in retirement for today’s workers. The discussion of the need for long-term care insurance must be broadened within the context of helping Americans achieve true financial freedom in retirement.

ABOUT THE STUDIES
The first study, Prudential Financial’s fourth annual Workplace Report on Retirement Planning, focused on retirement issues among near-retirees. Prudential polled 1,023 full-time employed Americans aged 55 to 64 about their retirement knowledge, goals, actions, and plans. The online survey was administered between October 27 and November 4, 2004. The margin of error is ±2.9% at the 95% confidence level. The study’s participants are a national sample of heads of households who take the lead for retirement planning, selected from panelists in the TNS Online Access Panel. In addition, all participants are enrolled in employer-sponsored “defined contribution” retirement plans such as 401(k)s.

In the second study, Roadblocks to Retirement, Prudential Financial conducted a survey of a broad cross section of Americans in December 2004 as they contemplated both the year that has just passed and the coming year. Prudential surveyed a national random sample of 621 Americans between the ages of 30 and 69 about their financial priorities, retirement preparation, and their retirement concerns and challenges. Survey participants, of whom 55% are men and 45% women, were selected from the TNS Online Access Panel, and their demographic characteristics mirrors the population in this age range as a whole.
A Weak Link in Americans’ Retirement Preparation: The High Cost of Health Care

ILL-PREPARED
Americans are struggling to get financially prepared for retirement: More than half of non-retirees think they are not well-prepared, and more than four in 10 of today’s retirees admit they were not financially prepared going into retirement.

But financial preparation is only one aspect of retirement readiness. An often overlooked fact is that many Americans are also ill-prepared to deal with health/fitness issues in retirement.

PAST 5 YEARS REDUCED RETIREMENT READINESS
The rise in the cost of living over the last five years significantly increased Americans’ needs for retirement savings.

An important driver of cost of living is health care costs. Seven in 10 Americans feel that rapidly rising health care costs in the recent past have hurt their prospects for a comfortable retirement.

% of Americans Not Well-Prepared for Retirement
Among Americans 30 – 69 Years of Age

| Financially | Non-Retirees | 57% | Retirees | 42% |
| Health/Fitness | Non-Retirees | 40% | Retirees | 40% |

How Each Factor Impacted Retirement Prospects in the Last 5 Years
Among Americans 30 – 69 Years of Age

| Cost of Living | Helped | Hurt |
| Health Care Costs | 4% | 70% |
FOUR IN 10 RECOGNIZE THE POTENTIAL
As Americans look toward retirement, one in five anticipate they might need nursing home care in the first 10 years of retirement, and more than two in five feel they are likely to face this challenge in the second phase of their retirement.

Yet, the need for long-term care is quite unpredictable and does not follow any pattern of gender, income or wealth status. The 58% who aren’t anticipating the need for long-term care may be in denial.

RISING COSTS, RISING CONCERNS
The escalating costs of health care and nursing home care are impacting financial priorities in retirement. Among those closest to retirement, the most important goals are to remain financially independent and not become a burden.

So it’s not surprising that the need for long-term care insurance has also moved to center stage. In fact, seven in 10 near-retirees feel it is “very important” to be able to afford necessary medical care or nursing home care.

% Consider Likely to Require Nursing Home Care
Among Americans 30 – 69 Years of Age

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<thead>
<tr>
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<th>First 10 Years of Retirement</th>
<th>Second 10 Years of Retirement</th>
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</thead>
<tbody>
<tr>
<td>Likely to Require</td>
<td>20%</td>
<td>42%</td>
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</tbody>
</table>

Financial Goals Considered “Very Important”
Among Near-Retirees 55 – 64 Years of Age

<table>
<thead>
<tr>
<th>Goal</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Not run out of money in retirement</td>
<td>90%</td>
</tr>
<tr>
<td>Not become a financial burden to loved ones</td>
<td>78%</td>
</tr>
<tr>
<td>Afford necessary medical care or nursing home care</td>
<td>70%</td>
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THOSE CONCERNED ABOUT LTC UNDERSTAND THE FINANCIAL IMPLICATIONS

Americans are realizing that the need for nursing home care poses a significant risk to retirement security and could be financially crippling. Among those who expect to need nursing home care in retirement, more than nine in 10 are concerned that they could run out of retirement savings.

Running out of money and becoming a “financial burden” to others is one of Americans’ most unpleasant financial concerns.

This is in sharp contrast to Americans who do not expect or yet appreciate the potential need for nursing home care.

PLANNING CAN HELP PROTECT MORE AMERICANS

As Americans’ life expectancy continues to rise, a retirement lasting 25 years or more is becoming a reality for many retirees. The thought of requiring nursing home care later in life is an unpleasant one. However, planning ahead and insuring this risk is prudent.

Also, proper planning for long-term care can help preserve an estate for future generations.

Likelihood to “Run Out of Money in Retirement”

Among Americans 30 – 69 Years of Age Who Are Not Retired

For those who expect to require nursing home care in retirement …

Likely to run out of money: 91%
Not likely to run out of money: 9%

For those who do NOT expect to require nursing home care in retirement …

Likely to run out of money: 8%
Not likely to run out of money: 92%
Long-Term Care Insurance Remains an Unfamiliar Subject Even to Those Closest to Retirement

UNDERSTANDING THE BENEFITS
Planning your financial future is important. Protecting it is just as important. Long-term care insurance is a product specifically designed to provide benefits when receiving long-term care services such as assisted living care, home health care or nursing home care.

Most long-term care insurance policies available today offer flexible choices and allow you to design coverage and payment options that best suit your needs.

THOSE WHO NEED LTCi THE MOST
Although the public has shown increased awareness about long-term care needs, long-term care insurance is not yet well-understood. Currently, even among those who are closest to retirement age, just one in five claim to have a sound understanding, and nearly half need help with understanding the coverage and options.

More troublesome is the fact that among those with less than $100,000 in retirement savings, a group most vulnerable to the consequences of unexpected long-term care needs, nearly two thirds need a better understanding of long-term care insurance.

Knowledge of Long-Term Care Insurance
Among Near-Retirees 55 – 64 Years of Age

- 20% Have a sound understanding
- 43% Need help
- 37% Know enough to make decision

Knowledge of Long-Term Care Insurance by Retirement Savings

<table>
<thead>
<tr>
<th>Retirement Savings Range</th>
<th>Need help</th>
<th>Know enough to make decision</th>
<th>Have a sound understanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$100k</td>
<td>64%</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>$100 – 249k</td>
<td>49%</td>
<td>39%</td>
<td>12%</td>
</tr>
<tr>
<td>$250 – 499k</td>
<td>29%</td>
<td>46%</td>
<td>25%</td>
</tr>
<tr>
<td>$500k +</td>
<td>27%</td>
<td>38%</td>
<td>35%</td>
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1 THE NEED FOR LONG-TERM CARE SERVICES AFFECTS MOST OF US
- Retirees today can expect to live in retirement for as many as 25 or 30 years, and requiring long-term care services is a distinct possibility for everyone.
- If staying financially independent and not becoming a burden to loved ones is important to you, considering long-term care issues when planning for retirement is critical.

2 PLANNING FOR LONG-TERM CARE IS ESSENTIAL TO A SUCCESSFUL RETIREMENT
- Saving enough money for retirement is only a piece of the puzzle. Health care and long-term care issues are also important aspects of retirement preparation, but have received far less attention.
- With medical care and nursing home costs soaring in recent years, your financial security in retirement depends not only on the assets you’ve accumulated, but also how those savings are protected against potential issues like long-term care needs.

3 CONSUMERS SHOULD SEEK PROFESSIONAL HELP ON LONG-TERM CARE SOLUTIONS
- Health insurance generally does not pay for long-term care services, and Medicare usually covers a very small fraction of the costs. Paying out-of-pocket is prohibitively expensive for most.
- Long-term care insurance is available through group plans offered by employers or on an individual basis, but few consumers truly understand its features, benefits and options. Talk to your insurance agent or financial planner to find out if long-term care insurance is the right solution for you or your loved ones.

Reference: http://www.prudential.com/insurance/longtermcare
This information is provided courtesy of The Prudential Insurance Company of America, Newark, NJ.