

Extended Care Roadmap


Retirement Education Resource Center of North America, Inc.



Your Guide to Preparing for the Future

 **RERCNA**
Retirement Education Resource Center of North America, Inc.

Extended Care Roadmap

1. What is an Extended Care Plan?

An **Extended Care Plan** prepares you for a time when you may need assistance with daily activities due to aging, illness, or cognitive impairment. It helps put the right care and financial strategies in place, reducing the burden on loved ones. **The Extended Care Roadmap serves as a guide to help you navigate this planning process, ensuring that your health, financial and legal needs are addressed in a structured and proactive way.**

Activities of Daily Living (ADLs):

Long-term health care services are typically needed when a person has difficulty with:

- ✓ Bathing
- ✓ Dressing
- ✓ Eating
- ✓ Transferring (moving from bed to chair)
- ✓ Toileting
- ✓ Continence

Cognitive impairment, including all types of dementia, can also lead to the need for long-term care, even if ADLs are manageable.

◆ **Fact:** *7 out of 10 people over age 65 will need long-term care.*¹

2. What Will an Extended Care Plan Do for Me and My Family?

An **Extended Care Plan** helps ease the burden on families by organizing care solutions before they are needed.

- ✓ Helps make care arrangements in advance.
- ✓ Reduces panic and anxiety when a care crisis arises.
- ✓ Allows loved ones to focus on emotional support rather than struggling with care decisions.

By planning early, you gain peace of mind and financial security while protecting your family from unnecessary stress.

3. Financially, Why is an Extended Care Plan Important?

For most people, their two largest assets—**retirement funds and their home**—are impacted by long-term care costs. Without planning, these assets may need to be used to pay for care.

💰 **Retirement Funds** – Tax-qualified savings (401k, IRA) may be depleted for care expenses. Taxes must be paid before funds can be protected.²

🏠 **Your Home** – Many families rely on home equity to cover long-term care, risking their financial security.

Proactive planning helps safeguard these assets, so they are used according to your wishes rather than being drained by long-term care costs.

4. Caregiver Burden – The Hidden Human Cost

Providing care for a loved one is physically and emotionally demanding. Many caregivers experience high stress, health complications, and financial strain.

⚠️ **30% of caregivers die before those they care for.**³

⚠️ **19% suffer from burnout, and 22.6% are at risk.**⁴

Extended care planning helps prepare and potentially relieve this burden by arranging professional care and financial solutions in advance.

5. When Should You Prepare an Extended Care Plan?

The best time to plan is before you need care—typically during retirement planning. However, trends show that starting earlier leads to better financial protection and peace of mind.

- ✓ Planning in your 40s-50s provides more options and lower costs.
- ✓ Waiting too long may limit choices and increase financial risks.

Taking early action helps you and your family be better prepared for the future.

Sources & Footnotes:

1. Tara O'Neill Hayes & Sara Kurtovic, **The Ballooning Costs of Long-Term Care**, American Action Forum, Feb. 18, 2020.
2. Revenue Act of 1978, establishing tax-qualified retirement accounts (401k, 403b, 457, IRA).
3. **Aging Care, Thirty Percent of Caregivers Die before the People They Care for Do**, accessed Oct. 7, 2021. Link
4. Ludmyla Caroline de Souza Alves et al., **Burnout Syndrome in Informal Caregivers of Older Adults with Dementia**, *Dementia Neuropsychologia*, Oct-Dec 2019, 13(4): 415-421.

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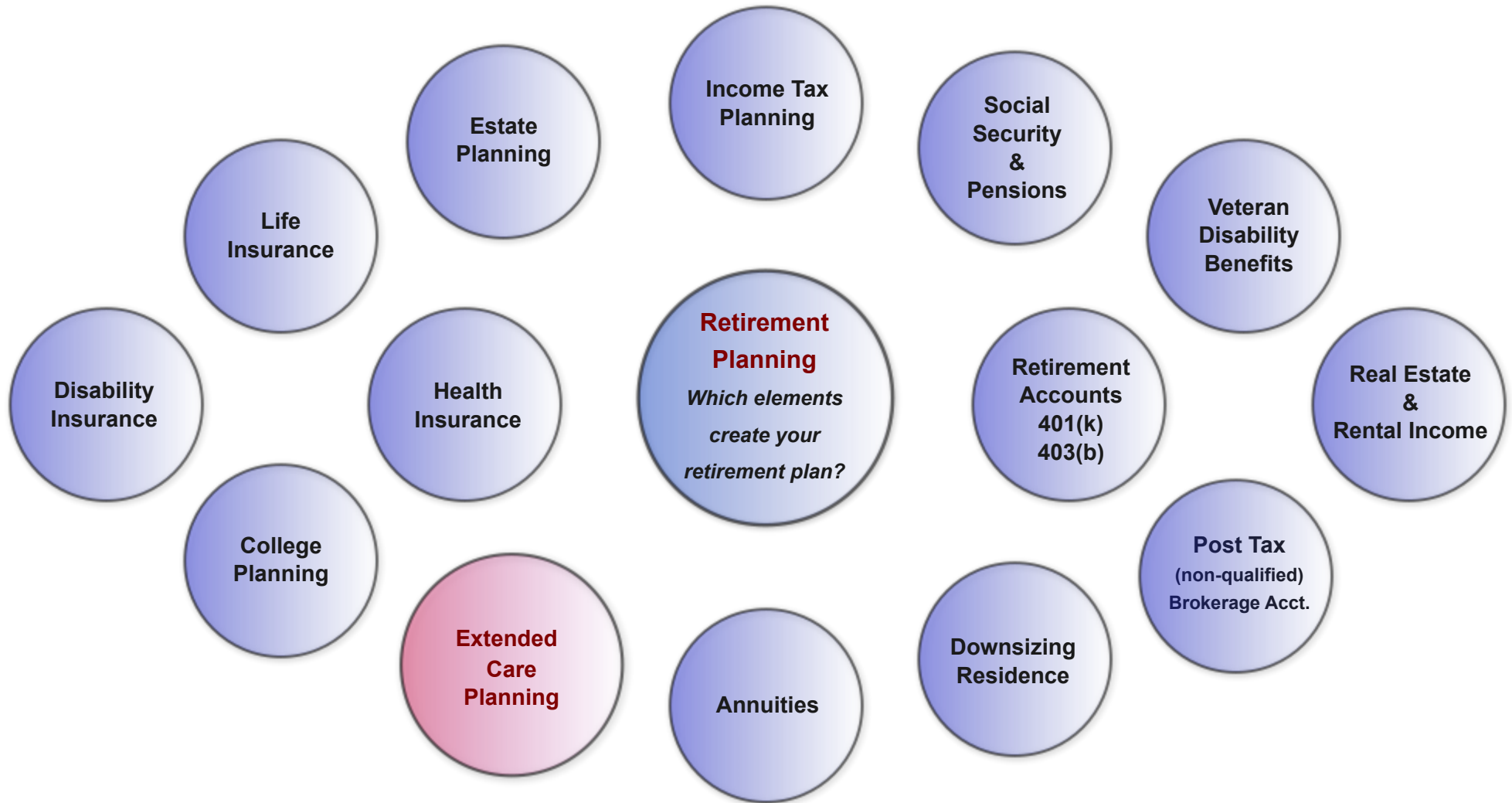
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Planning for Retirement

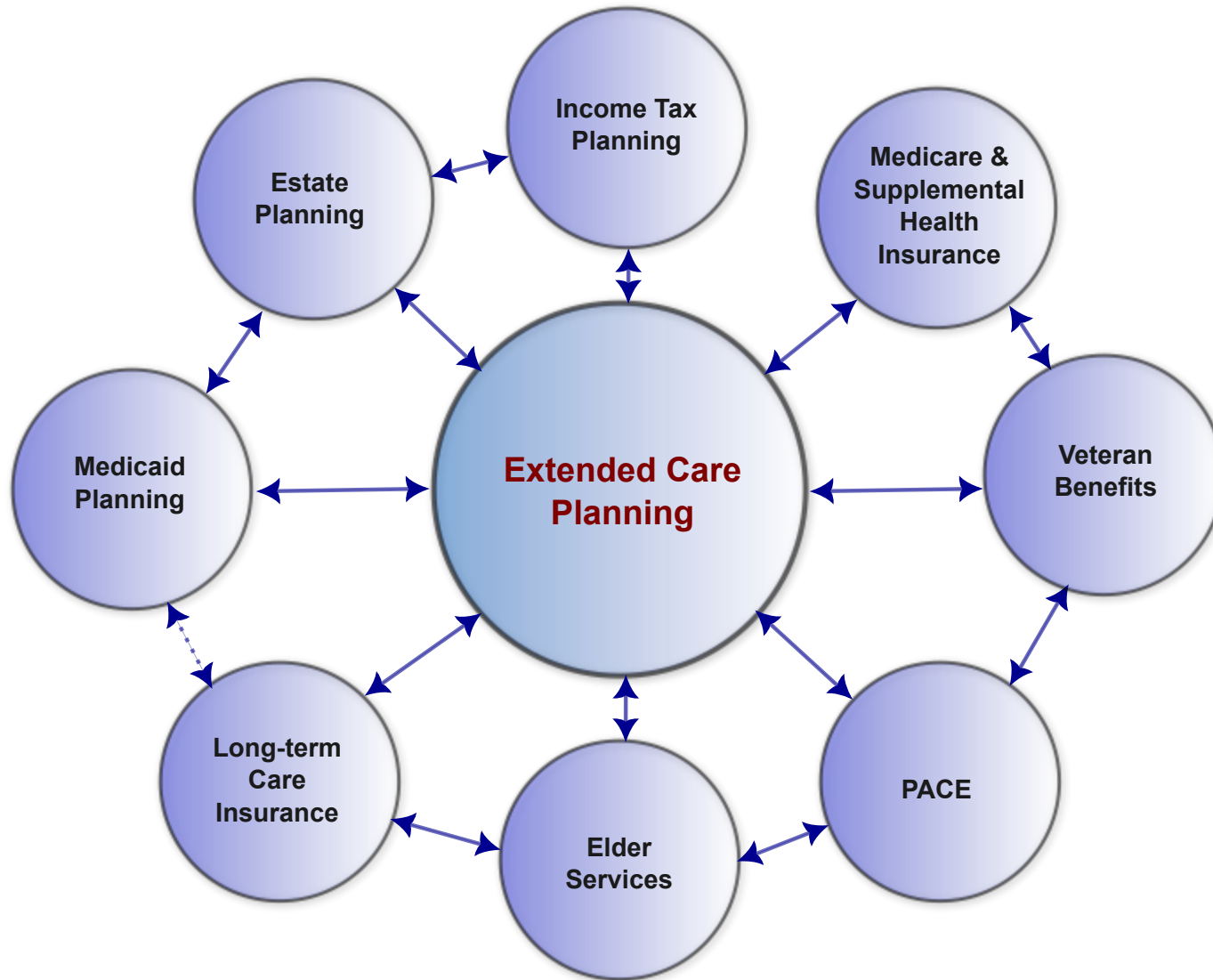
Elements Involved When Planning for Retirement



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Planning for Extended Care



Extended Care Plan and Long-Term Health Care

An **Extended Care Plan** takes into consideration long-term health care and the process of preparing for the potential need for extended medical or personal care services, which may arise due to aging, chronic illness, disability, or cognitive decline. This type of planning involves making decisions about how to ensure quality care while managing the associated financial, legal, and personal aspects. The goal is to create a comprehensive strategy that addresses potential long-term health care needs while safeguarding assets and ensuring the individual's wishes are respected.

Key Components of Extended Care Planning

1. **Assessment of Long-Term Health Care Needs** – This involves evaluating personal health conditions, family history, and lifestyle factors that may increase the likelihood of requiring long-term care. Understanding these risks helps in making informed decisions about care options.
2. **Understanding the Costs and Tax Impact** – Long-term health care can be expensive, and understanding the potential financial burden is critical. The **Long-Term Care Tax Impact Study** (www.ercna.com) explores how federal and state-imposed taxes affect individuals and families in terms of financial planning for long-term care services. Planning includes determining how taxes and government programs may impact available resources.
3. **Insurance Options** – Long-term care insurance is designed to cover costs that are not typically covered by Medicare or private health insurance. Some policies provide coverage for in-home care, assisted living, nursing homes, and adult day care. This insurance can be a key part of financial planning to avoid depleting assets.
4. **Medicare and Medicaid:**
 - **Medicare** primarily covers acute health care services for individuals over 65 or with certain disabilities. However, it offers limited coverage for long-term care, such as skilled nursing care or home health care, and only under specific conditions.
 - **Medicaid** is a federal and state program that provides health care services to low-income individuals, including long-term care. Qualifying for Medicaid often requires spending down assets to meet income thresholds, which estate planning can address to protect assets for heirs.
5. **Veterans Affairs (VA) and PACE Programs:**
 - **VA Nursing Home Care** and community-based services aid veterans, especially those with service-connected disabilities.
 - **Programs of All-Inclusive Care for the Elderly (PACE)** are designed to meet the health care needs of elderly individuals by providing coordinated care and support services to allow them to stay in their homes and avoid institutional care.
6. **Visiting Nurse Associations (VNA)** – VNAs offer home health care services, including nursing, physical therapy, and personal care assistance. Incorporating home care options into long-term care planning can help individuals remain in their homes while receiving necessary medical attention.
7. **Estate Planning** – This aspect of an **Extended Care Plan** involves the use of legal tools such as wills, trusts, powers of attorney, and health care directives to protect assets and ensure that personal wishes are carried out in the event of incapacity or death. It also involves planning for how to pay for long-term care without depleting an estate, using strategies like **irrevocable trusts** and **Medicaid asset protection trusts**.
8. **Long-Term Health Care Services** – These services range from in-home care and adult day care to assisted living and nursing home care. The type of care required depends on the individual's health and mobility needs. Planning ahead helps individuals decide where they prefer to receive care and how to pay for it.
9. **Tax Considerations** – Extended care planning includes understanding the tax implications of various funding sources. Tax-advantaged accounts such as **Health Savings Accounts (HSAs)** can be used to pay for long-term health care expenses. In some states, **long-term care insurance premiums** may also be tax-deductible, and other estate planning strategies may help minimize the tax burden on heirs.

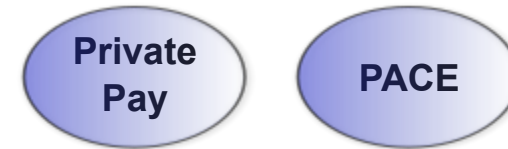
Benefits of an Extended Care Plan

- ✓ **Asset Protection** – Proper planning ensures that assets are preserved and passed on to beneficiaries rather than being consumed by long-term care expenses.
- ✓ **Peace of Mind** – Having a clear plan reduces stress on families, as care decisions are already outlined, minimizing conflict and ensuring that personal wishes are respected.
- ✓ **Access to Quality Care** – A comprehensive plan increases the likelihood of receiving preferred care options and remaining in one's home, if possible.
- ✓ **Financial Security** – Planning ahead reduces the risk of depleting financial resources, providing stability and support throughout the aging process.

Extended care planning is an essential aspect of **retirement and estate planning**, ensuring that individuals can receive the care they need while protecting their financial legacy.

Assisted Living Community

Home Health Care



PACE - Program of All-inclusive Care for the Elderly
A Medicare/Medicaid Program

LIHTC -- Low Income Housing Tax Credit (to community)

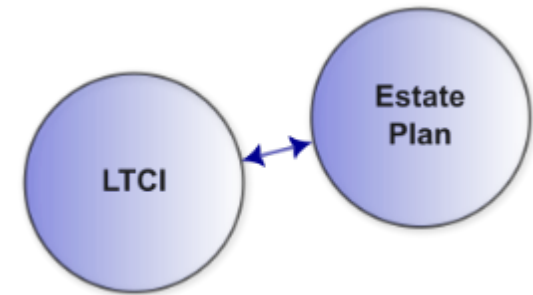
Ways to Pay	Benefit	Preparation
Private Pay Income & Investments Long-term care insurance	COMPLETE CONTROL (location, services and amenities)	Estate Planning Tax Planning
PACE Income (Mainly SS) Private Pay Long-term care insurance	Nursing Facility ALTERNATIVE Home Health, Day Center Assisted Living & Medical Care	+/- Estate Planning +/- Tax Planning
LIHTC Income (mainly SS) Private Pay	ASSISTED LIVING Group Adult Foster Care (GAFC) Limited Locations & Services	+/- Estate Planning +/- Tax Planning

Estate Planning for Long-term Care

Protecting Retirement Accounts

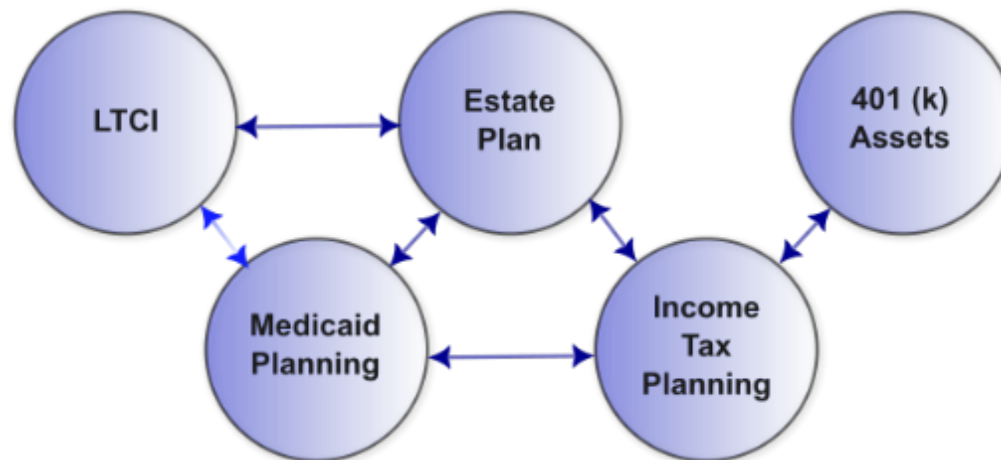
Learning by Example

During process of estate planning, everything appeared stable, with good health, travel, and an enjoyable retirement lifestyle. An organized estate plan was established, including the purchase of a long-term care insurance (LTCI) policy to address potential future care needs. To remain cautious, a conservative LTCI policy with limited benefits (covering 3 to 5 years) was chosen, acknowledging the uncertainty of whether the policy would ever be utilized.



As time progressed, early signs of dementia began to surface, prompting a necessary review and adjustment of the estate plan to address these emerging concerns. The estate planning attorney recommended implementing tax planning strategies and creating an irrevocable Medicaid trust to safeguard retirement assets, such as 401(k) accounts.

The irrevocable trust requires a 5-year lookback period, during which the LTCI policy would provide financial assistance to help navigate this timeframe. The severity of the dementia would guide the specific income tax planning approach to ensure that financial assets are appropriately protected while meeting healthcare and long-term care needs.





Retirement Education Resource Center of North America, Inc. (RERCNA)

Mission Statement

"The Retirement Education Resource Center of North America, Inc. through its innovative ThinkSmartz programs is dedicated to fostering lifelong financial literacy and empowerment through all stages of life. We are committed to providing a dynamic educational experience that evolves and offers unbiased, comprehensive information ensuring education, not solicitation. This approach to impartiality and guidance makes our strategy uniquely trustworthy and effective in building a financially savvy community."

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