

Episode 115: Intro to Long-Term Planning

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SPEAKERS

Wade Pfau, Bob French, Alex Murguia

Bob French 00:00

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Alex Murguia 00:41

Hey, everyone, welcome to retire with style. And now that Wade and I have moved away from our q&a, what turned out to be an arc, if you will, we're going to introduce the long awaited arc on long term care planning. So here we go. Yeah, what do you think?

Wade Pfau 01:02

We've been promising that we're gonna start a long term care arc for a long term period of time here. We're finally getting to it.

Alex Murguia 01:10

Wade, I see what you did there. I see there, but it's pretty good. Pretty good. No, pun intended. So what are we going to? What is the whole arc? What do you what do you what are we thinking about covering here? Just to give everyone a little bit of a synopsis?

Wade Pfau 01:27

Well, long term care planning, and we don't know which how many episodes this is going to end up being. But yeah, what we'll talk about today in particular, is just introducing the topic and then specifically defining what long term care is. In future episodes, we'll talk more about some of the statistics regarding who experiences long term care, like how long what what percentage have a long term care need, how long that lasts, whether it's less than a year, five years, plus that sort of thing. Talk about the continuum of long term care with just in home services, that sort of thing, assisted living nursing homes, all the different options out there, continuing care, retirement communities, adult daycare centers, all of that sort of thing. Then we'll talk about the four main funding options for long term care, self funding, traditional Long Term Care Insurance hybrid policies that combine Long Term Care Insurance with either life insurance or annuities. And also Medicaid will also will emphasize not Medicare, but but Medicaid is the fourth potential funding option. Then we'll also talk about the how to think about budgeting for long term care and

including that as part of your retirement income plan in the contingencies category of liabilities, and what reserves you have available for that and put things all together in an action plan. So that's what's coming over the next four or more episodes.

Alex Murguia 02:51

And we may have some special guests along the way. Yeah, hopefully

Wade Pfau 02:54

we will we have not reached out to individuals at the time of recording now but hopefully that align I'm gonna say

Alex Murguia 03:01

no to you. They're not gonna say no to you. Easier turn on that charm that fall charm. They'll be getting in line. Now that is and but first, but first. anything new. It's been a while since we've been like live here. We well. We have timelines, we have multiple timelines in this podcast multiverse.

Wade Pfau 03:28

bashed a few of the q&a episodes. So it has been a while since we recorded got a haircut today. You thought I was growing my hair out on purpose. But the reality was I just had not been to get my hair cut for a long time. Probably almost two months.

Alex Murguia 03:41

Yeah, actually, I cut my hair yesterday. But the irony is, I don't know on the YouTube, you can check it up. Well, I don't my wife cuts my hair or my wife or my kids. Whoever's like hanging around the kitchen. It's real simple. For me, it's just a number three. And just high in tight literate. The paradox is as I'm going bald is the longer I let it go, the more it looks like I'm trying to like hide it or something, the worse it looks from a balding standpoint. So at this point, it's just the heck with it, you know? But yeah, so it's our life's rich pageantry when it comes to male pattern baldness. Anything else? Wait.

Wade Pfau 04:23

No, that was the big exciting thing getting a haircut. Wow.

Alex Murguia 04:29

Well, then, then let's begin.

Wade Pfau 04:33

Okay. Yeah, I mean, so again, we're now entering into the long term care art for the podcast, it's going to be multiple episodes. And it's important because at the end of the day, when we think about spending shocks for retirement, long term care is probably the most significant spending shock in terms of if someone experiences a multi year event in which they require moving to institutional, some sort of institutional living environment cost hundreds of 1000s of dollars, even potentially, in cases of dementia with, in some cases, 10 years of need. Of course, it could exceed at some point a million dollars. But then again, it may not happen at all. And so it's one of these contingencies where we really have to put some effort into thinking, how do we want to best manage this risk? Yeah,

Alex Murguia 05:24

my take would be I feel this is one of the most when we did our the Risa we introduced like retirement risks. And we had like a spending shock category. And we realize there are two distinct levels of spending shocks that folks are concerned of, there's the normal spending shock of my, my roof blew off, and I need to fix that. And that's one of these expenses, you didn't think of the other one being healthcare related items, specifically the need for long term care. So it's something that's very salient among the uncertainties that folks feel they need to address as they enter retirement. And it hits both ways. It's not just for a client, you know, an individual themselves, but it could be for like, in my situation, me thinking about how I'm going to manage this for my parents. And, and so it, it actually is, it's a good topic because it hits many different demographics.

Wade Pfau 06:26

And I think in a lot of people's minds, you do kind of intertwine health care and long term care. And And certainly, that makes a lot of sense that probably a good caveat just to throw out there is. And we get this question a lot when you see some of the estimates out there about what's the average health care spending people face in retirement. And you may see estimates, like the \$300,000 for a couple over their lifetime from age 65. That does not include long term care, that is simply paying Medicare premiums out of pocket health care spending, not long term care related spending, long term care is separate from those \$300,000 style estimates you hear regarding health care expenses in retirement, it's

Alex Murguia 07:06

funny, somehow fidelity cornered the market on this kind of number. They're known for three things Magellan Fund 401k haste. And the study that everyone always referred to, yeah,

Wade Pfau 07:17

the cost of health care in retirement. And it's even, that's really just for the average person. But by the way, I think we've talked about maybe even in the q&a episodes, how that number can sound very big. But that is really just a translation of every year for a couple somewhere in the ballpark of 11,000. Now, I'd have well plus inflation over time starting at around \$11,000 a year, but then with the inflation increases over time as well.

Alex Murguia 07:45

Yeah, got you. And the only other piece I would add to this, when people folks realize is long term care, you're thinking physical, but it's beyond their

Wade Pfau 07:56

physical needs. Also mental and in cases of and we'll talk would be defined specifically, what is a long term care event, it can relate to either mental or physical decline, there can be medical needs associated with it, the need for like social interactions, and that sort of thing is on the surface as well. Just all the events going on, that relate to either a physical or mental decline, that people may experience it can happen at any age is just as individuals get older, the the likelihood or probability of experiencing a long term care event increases with age. And so I've already made this point, but again, to emphasize and I won't keep emphasizing it, but this is distinct from healthcare spending. This is not it's a separate budget category. It's not necessarily a budgeted category. It's it's a spending shock. In the whole context of the funded ratio that we talked about with how to build a retirement plan. It's that contingency expense. What do I need

to have set aside in my mind to feel comfortable that I could manage a reasonable Long Term Care event before I feel comfortable retiring? With the worry that will if I didn't have this set aside that I may run into trouble in retirement. And so it's ultimately if you end up not having a long term care event, probably those funds are going to translate into part of the legacy at the end. But what do you need to really have set aside so that you could manage a reasonable Long Term Care event as you define is reasonable. And we'll talk more about what that is, too, when we talk about budgeting for long term care.

Alex Murguia 09:37

And it's something to think about when you're when you're like, envisioning your own situation. You could be 70 years old, and saying yourself, I'm perfectly healthy, you know, physically, mentally, socially, etc. But there's a little bit of a double whammy here, in that it's insidious, because when it hits it, the probability is that Having some need increases with age. Because, you know, obviously you're getting older, but your ability to cope with these things decreases with age if you're not prepared for it. So it, it really is the ultimate Stitch in Time argument to really begin to take care of this because it's a little, you know, little by little than all at once. And then where are

Wade Pfau 10:24

you absolutely, like, if you need long term care assistance, it's quite possible that that will be a period in your life where you really can't be managing, how to take care of all that, how to find the care that you need, how to arrange the finances for that, and so forth. And so it's something you want to plan for well in advance. Absolutely. Okay. Inexpensive Long Term Care event could derail a well built retirement plan. And that's why really, you can't necessarily think you're ready to retire ready for retirement without having first as part of the process considered how you're going to manage long term care.

Alex Murguia 11:06

Okay, and the other piece, just to conclude, that is, the range of this can be from \$0, you won the lottery, you don't have a long term care issue, unless you've taken some tragic accident or something like that. But it's

Wade Pfau 11:19

80% chance of that, yeah, and 50% of zero.

Alex Murguia 11:23

But again, you know, take that for what it's worth, like, get hit by a bus. Yes, you don't good news is you don't have long term care. The bad news is, you caught the bus, but

Wade Pfau 11:36

the long term care need,

Alex Murguia 11:37

but the zero, but there's also if it is something that hits you, you're looking at a big number. And again, it can derail it. So I can't stress enough, this is something you want to take care of when you don't think you need it physically on this. And it's hard to speak to a parent about this, because it's one of those that they're they have to begin to come to this recognition that I need to be able to do this right now, even though I'm not you know, it's letting them know, Hey, you're

not going to live further, let's begin to make move towards this. And it's hard to bring it up simply because to the degree that they don't, it just puts more stress around the children.

Wade Pfau 12:16

Right, and that ultimately, for people who haven't prepared plan for long term care, the default may be that the children will need to manage that for them or take care of them that probably be the living caregivers. It's one of the issues that causes people to retire earlier than anticipated, there's three main reasons people end up retiring earlier than anticipated, involuntary job loss, some sort of health problem of their own. And the third one is the need to become a caregiver for someone else, either parents, spouse, that sort of thing. So that does become the default plan, in many cases. And if you can plan to not create that sort of burden for other family members, then you may really be glad you've done that should the the need for long term care arise.

Alex Murguia 13:05

And, again, as you can see, we're trying to use this time to stress the importance of this topic. But this is, yeah, this is the intro right, but play the demographics, you were entering peak 65 this year. And that effectively is I think the number is not 15,000. Right? The number of people turning 65 Every day is 65 is like something like 15,000. This year, this is gonna be the highest it'll be. But the point that I'm trying to make as ultimately people will be living longer. And so as people live longer, this issue is not going to reduce itself, it's just going to be more, it's going to be exacerbated by the fact that folks are living longer. And it will be just a normal milestone planning event that is going to need to be taken care of.

Wade Pfau 13:58

Yeah, that's right. And there's some irony perhaps, and healthier individuals are more likely to live long enough to need a long term care help with long term care, then unhealthy people who may just simply not make it that long, or who may have that end of life long term care experience, but it ends up being shorter rather than longer and therefore less expensive as well.

Alex Murguia 14:21

It's a Wade, how many pull ups are you by now that we're talking about? Yeah.

Wade Pfau 14:25

For now, and one, one try. Okay, so now, then the question and we'll get into this more with a budget and it's how much to set aside for long term care. And that really has to be centered around what you feel comfortable being able to fund whether that's a if I could fund three years in a nursing home, I'll be I feel satisfied. You've got to kind of come to those determinations on your own. Now, ultimately, some of those determinations might lead to looking to set aside and say 300 to 500,000 \$1,000, which can be huge, not for Alex necessarily, but for everyone else, suddenly, okay, I can't retire until I have another \$500,000 saved. So there's definitely trade offs involved in all that of not only trying to look for something reasonable, but something that's actually practical, I mean, reasonable for the long term care need, but also practical in terms of what can actually be damaged in real life to to be able to feel prepared.

Alex Murguia 15:30

I'm still trying to think of a comeback with that with that intro.

Wade Pfau 15:35

But you're all set. But so long term care expenses relate to if you do have insurance premiums for the insurance, although the point of the insurance is that it will then reduce the out of pocket expenses related to any long term care event. But then just also the additional reserve assets you feel you need to have set aside to pay for those out of pocket expenses, that are part of that liquidity category when we talk about the four L's, so you've got your lifestyle, longevity, retirement spending, Legacy goals, and then liquidity serving as the reserves for your contingencies like long term care. And it's really about how much how big of a reserve bucket Do you want to have in place to be prepared for the contingency of long term care. So,

Alex Murguia 16:20

so just, you bring up a good point to give people some sort of visual here, and obviously, I get that this is a podcast. But if we think about that retirement income optimization path that we've laid out, and you're thinking about your assets and liabilities, at the end of the day, your everyday expenses, your essential needs, you're obviously according to your preferences, and the risk profile and all that, but let's just split the split the baby go right down the middle. If you're thinking about funding your essential needs, you're thinking about funding that with contractual income, or very reliable income. If you're thinking about funding your lifestyle, and legacy desires, if you will, more discretionary stuff, or things you want to leave behind, you think you're usually thinking about that with your investment portfolio, obviously, you can buy an insurance contract that leaves something behind for your kids, but for the most part, right. But when you're thinking about reserves, you know, I'm sorry, I said it the other way around, when you're thinking about these contingencies that could happen, the those kinds of things, you want to sort of manage that with reserve assets that you have way.

Wade Pfau 17:33

Yeah, and that would be the the more that true liquidity mindset where you are distinguishing off these assets as being separate for reserves. If you have more of that technical liquidity mindset, you do just have that one big pot of assets you'll draw from as necessary. But right, if you are saying, Okay, this is my reserve bucket, then there's questions of asset allocation. And should you invest these assets conservatively, because they need that liquidity should the need arise suddenly, but at the same time, if the long term care event is, ultimately 20 or 30 years down the road that would speak to wanting to invest those reserve assets more aggressively. So that's definitely a part of the consideration as well. Yeah. And there's

Alex Murguia 18:16

many ways you can play that this could be where, listen, I'm gonna contribute, I'm gonna start contributing now to the NHS, I'm in my third, I'm 35 years old, I'm going to start contributing now to to an HSA. And I'm going to mentally, you know, push that towards health care expenses. And if I don't need it, it becomes my long term care. reserve asset.

Wade Pfau 18:38

Well, that was yeah, that would be one way to earmark a specific fund for Yeah, health care long term care related needs.

Alex Murguia 18:44

Okay.

Bob French 18:45

The retirement researcher Retirement Income Challenge has started up and we had a great first day yesterday. But if you missed your chance to take part, don't worry, you can join our retirement income challenge waitlist, so you don't miss out next time and make sure that you're able to join Wade, Alex and I to sign up for the waitlist, head over to [Risa profile.com/podcast](https://Risa.profile.com/podcast). Again, that's [Risa profile.com/podcast](https://Risa.profile.com/podcast). See you in the challenge next time, at least.

Wade Pfau 19:19

Yeah, and I think you may have brought this point up already. But to emphasize again, this long term care planning is not a comfortable conversation for anyone. And it's not comfortable to even think about this idea of losing independence. It's not something that people enjoy thinking about. And that is probably another reason why people don't necessarily plan for long term care needs because they just simply don't want to think about it. It's kind of the same reason sometimes people don't like thinking about life insurance. It requires thinking about unpleasant events. And it's something that really needs to be overcome to make sure that you are ready for these contingencies. No,

Alex Murguia 19:57

and I'll bring my own personal since you wait here, this is where two years ago, I effectively had to help my mom and middle put her in a in an elf and assisted living facility in Florida. And she wasn't having it. And she's, you know, just dementia has as as you know, for a variety of reasons, she's just started with dementia, and she's in her late 70s. It's not that old. And it was one of those things that she really was not having any conversation before the need arise, she would shut it down, and was very, like, strong willed lady. And it was just it was, it was difficult. And she kind of did herself and in our in the kids a disservice me and my sisters, now, she's a great mother, all of that, you know, couldn't have asked for anything more. But this, this topic was just something that was incredibly sensitive for her because it was more of a loss of independence, which ushered in, you have to kind of accept that this, you know, it ushered in this new phase in her life. And she was unwilling to do so until the very end where it was, I had power of attorney and it was one of those things with my sisters and everything that it was just the best course of action to put her in. But even then, she couldn't afford it. It's one of those that were fortunate enough that you know, as a family, we could subsidize it for but if it wasn't for that I don't if let's just say if we weren't around or anything like that, I don't know, what would have happened to her. You know, it would have been, you know, straight Medicaid and, and off you go. But it what struck me more than anything was just, and yeah, maybe there are some tips and tricks I could have done beforehand. But even as, even as a child of a parent, it's it's tough to bring up without, like, ruining the evening, you know, if you will. And, you know, it reached a boiling point where there was just no other choice, and the choice was made. She didn't have a choice at you know, when the decision was made at that point, not because of us, but because literally she it needed to be done regardless. And it wasn't it wasn't a pleasant sort of transition. And that's something in retrospect, that, you know, with proper planning, things could have been done and weighed, even like, to the point of getting a reverse mortgage on the house. You know, and you know, a few years ago. Yeah, exactly. And it was too late. But you know what, when it happened, and look even though yes, I get the irony, I'm doing this podcast here. People are people still and it's just a tough thing to have when you when you need to do it. It's kind of too late is ultimately what I'm kind of getting out there.

Wade Pfau 22:37

Yeah, well, thanks for sharing that. Oh, yes, yes. That's when to grow. I mean, my chat GPT to get an empathetic response.

Alex Murguia 22:49

You gotta you gotta give the context of now and what

Wade Pfau 22:53

I was hearing before the episode that sometimes if you have to write a difficult email message, you'll ask chat GPT to write an empathetic

Alex Murguia 23:05

Yes, I tend to be blunt with my emails. And it's hard to discern the tenor of somebody in like you, I don't mean anything by it. I'm just like, to the point sometimes when you're answering emails, business related, and it got to the level that I was telling Wade, I, I kind of put the person's email and chat GPT and I just point blank, I just say, please write an empathetic response to this. And which this is the conclusion. It does a great job of moving up in the company. Wade, everyone loves me now.

Wade Pfau 23:38

Your empathy, empathetic? Yes, yes.

Alex Murguia 23:41

That's me.

Wade Pfau 23:45

Well, continuing. emphasize this point again. Because this and we use the term medicaid medicare, it's easy to confuse those in one's mind. Medicare is the national health insurance system we have for people generally age 65 and older. Medicare does not pay for long term care. Medicaid is the health insurance available for people who've ascent effectively run out of other assets and income. Medicaid will pay for long term care. But to be eligible for Medicaid, you really can't have now that every state may have some different rules. But the basic idea is you can't have other resources, or else those resources will be spent before being eligible for Medicaid. Medicare does not pay for long term care that can be confusing because under very restricted circumstances, there may be a benefit through long term benefit through Medicare. That sounds like long term care, but it would only last for at most 100 days. And we usually define long term care is something lasting more than 100 days. So simply Medicare is not for long term care. It's not one of the funding options. Even if you have Medicare you you're not going to be able to pay for much of long term care is just related to needed with the helps for activities of daily living. And that's something that Medicare's really just not a part of, at least not beyond 100 days. And even in that very restricted scenario where it might seem like it's long term care.

Alex Murguia 25:14

And so if you, if you think yourself, well, I'll just transitioned to Medicaid, I'm just stating it for with an abundance of clarity. That means pretty much the assets you have earmarked for essential expenses and lifestyle and legacy are going to be drawn down. So you can qualify for Medicaid. And so that's, that's not necessarily a good option.

Wade Pfau 25:41

Right, and we can talk about this more in a later episode, there's a whole area of Medicaid planning, and every state has different rules, like there's some assets that don't get counted towards Medicaid and so forth. And so people strategize. So there's a minimum number that you

Alex Murguia 25:54

need 50k, or whatever it depends on the stage.

Wade Pfau 25:59

Yeah, but if you have the means to not be on Medicaid, you might appreciate just as we go through time, and as there's fewer and fewer resources available, and a growing population of people with a long term care need. Being able to self pay may lead to a much more pleasant experience than having to receive care through Medicaid, not that Medicaid is bad. But if you have the option you might prefer non Medicaid care. And even if you were able to protect your house, or, again, depending on state, still, the state may come after that asset after death so that it's not ultimately getting it out of the long term care pool for sure. It's not a way to give to your children in a manner that completely avoids the grasp of Medicaid, reaching out to be read, refunded as much as possible. Okay, so we did talk about to just, if you haven't planned for long term care, you could create a huge burden for other family members, it's another reason to be thinking about this. And the default, people have always well, having your children take care of you, or just self funding your long term care until depleting assets and then transitioning to Medicaid, that becomes a default for people. And it's really just a matter of, is that the right default for you to heal? Or to? Do you want to use some sort of insurance? Is self funding a reasonable option? Do you still want some insurance policy regardless, that sort of thing, that's more of what we're going to be getting into in future episodes as well. And that being said, let's now that that was the introduction, but let's just for today's episode, define what a long term care need is. And I think that lay a good basis for future episodes. Okay.

Alex Murguia 27:52

So what are some of the check boxes? You know, what are some of the boxes that we, when you say to yourself, you need long term care, you need to be hitting.

Wade Pfau 28:04

And so specifically, it's more like, if you have long term care insurance, there's going to be a definition of what is a need for long term care. And it usually relates to the activities of daily living and needing help with activities of daily living, these are called ADLs for more than 100 days. So that that's again, that it has to be long term, 100 days or more is how long term generally gets defined in that context, but needing ongoing help with the activities of daily living. And this is where the these activities are usually somewhat standardized. But if you are looking at long term care insurance, you do have to be careful that they are using the standard definitions around activities of daily living and so forth.

Alex Murguia 28:49

Now wait, so just because you know, we get into the acronyms, ADL is activities of daily living ideas are 100 days, I'm just gonna throw some out some some questions out there. 100 days in a row, 100 days within a year, 100 days in a row within a year. That kind of stuff.

Wade Pfau 29:09

What Yeah, so that would relate more to the if you have long term care insurance, and it has some sort of deductible type period of how, how long until the benefits are triggered. That's where what you're mentioning there could lead to different answers, depending on the rules of the policy. But it's, I think, just to define long term care, it doesn't necessarily have to be 100 days in a row, or at least it's not that you're receiving care every single day, seven days a week. It's more just

Alex Murguia 29:40

how the policy of long term care.

Wade Pfau 29:44

It's ongoing. It's ongoing for more than three months, that sort of that process.

Alex Murguia 29:50

And how does that differ from? Let's say my mom, why just set up the situation but let's just say my mom is living you know, she's doing well And she's at and she breaks her hip, and all of a sudden needs to go somewhere for a while.

Wade Pfau 30:07

That's the kind of situation where Medicare may help out if it's just a short term recovery period. And there's a number of rules around being able to qualify for this benefit, like in a hospital for at least three days in an inpatient care. And then the doctor asserts that you need this rehabilitation that's covered through Medicare, and then you go to a facility, a facility that's part of the Medicare world and you have this short term recovery. That's where Medicare may help with those short term. But if it becomes long term, the Medicare benefits and entirely after 100 days. So if you start with that scenario, you break a hip, you're getting short term rehabilitation, hopefully, in those kinds of scenarios that need ends before 100 days, if they need goes beyond 100 days, that's where Medicare is no longer part of that.

Alex Murguia 31:01

And there's potentially a handoff to long term.

Wade Pfau 31:04

Yes, if you had long term care insurance, that's where the handoff and likely happen. And

Alex Murguia 31:08

if you don't, that's why those are all the warning signs that we flagged earlier in the podcast, if you don't, that's where like sands of the hourglass. So are your assets, if you need to fund some something like that. Okay,

Wade Pfau 31:20

and the financial situation for your other family members who may be called into service to care for you as well. Okay.

Alex Murguia 31:30

And, you know, the ADLs what, what, what does that mean exactly? Is there a defined term to refer to

Wade Pfau 31:41

it's not 100% standardized with different insurance policies, but it's generally there six common ADLs, so we'll name them in a moment. And then to trigger the long term care benefits you, it would need to be certified through a medical professional that you need assistance with at least two of the six common activities of daily living. If a medical professional certifies that you have that need, that would trigger that you can receive those benefits to the insurance policy. The six activities of daily living include bathing, continence, which is control of bowel and bladder functions, dressing, being able to dress yourself eating, toileting, and using a toilet, and then transferring, such as getting them out of bed would be the main issue there if you can get yourself out of your bed or not. So of those, usually, people do need help with dressing and bathing first. And this is just an example of where you need to read the fine print in any sort of long term care insurance policy. Bathing, we usually think of as like getting in and out of a showers, you know, where you may have to step if, if a sponge bath counts as bathing, it's easier to give yourself a sponge bath potentially than giving into a bathtub. So you have to make sure that their definition of bathing matches with what you think it matches. But again, bathing continence dressing eating toileting, transferring. Now if you need help with at least two of those certified by a medical professional that would trigger the eligibility for long term care benefits. And

Alex Murguia 33:16

that is two would you say two is like the standard or some policies more than two?

Wade Pfau 33:22

I think two is pretty standardized. But that being said, there could be some policies out there that are different.

Alex Murguia 33:28

This is now a very important question, because I think I'm halfway there. And this is specific to dressing. Now, how does fashion play into this? Because I'm right now in my mohair sweater phase, and my kids are just hitting me up, left, right and center. This fashion play into this.

Wade Pfau 33:49

Think you're getting into what's known as the incidental activities. Okay, as long as you can dress yourself. Oh, yes. Yeah, not having a good fashion isn't necessarily.

Alex Murguia 33:59

So it had nothing to do with my sartorial taste. It's more my abilities to dress. Okay, perfect. The ability to get those clothes on. I wanted to make that clear. Alright, that's pretty good. And let me see here any other issues? Not from a mental standpoint? Well, I would think that these things could affect because we talked about it being perhaps, you know, beyond just physical, it could be mental capacities. But you know, when you look at bathing, continence dressing, eating toileting, moving around from the bed, I would imagine where there's some mental setbacks, you're gonna have trouble doing a few of those.

Wade Pfau 34:39

Yeah, and that's so like, in the context of having this explicit definition of long term care for for our own individual purposes, maybe it doesn't matter that much. It's more about what triggers

benefits from long term care insurance policies. So cognitive impairments such as dementia, this is going to really vary by policy. Sometimes an individual may have cognitive impairments, that really should lead to them getting some help, but they may not yet be at the point where they have trouble with at least two of the six activities of daily living. So if the policy also allows for some level of cognitive impairment, impairment to trigger benefits without necessarily needing to show struggle with the activities of daily living, that would vary from policy to policy,

Alex Murguia 35:27

and I'm sure there would be some need for psychological evaluation or something along those lines.

Wade Pfau 35:34

Okay, yeah. Yeah. And then that, that incidental activities of daily living, these are considered higher or order activities. So having a good fashion sense is an example of that. But also managing household finances, driving, being able to clean your house. These are important things that people might struggle with. But that's not necessarily going to be something that would trigger a long term care benefit for these types of incidental things. So picking out your clothes for you, that's usually provided more, ideally, through family or friends who you have available to help with that. It's not necessarily going to be something that triggered is a long term care benefit.

Alex Murguia 36:15

No, but I can see here, this is the delivery of a chicken to the end, I know I'm putting on the spot. But eating right, this could go both ways. Executive functioning, eating like, I can't follow recipes anymore. Hence, I can't eat you know, or I can't because there's no food or I can't like eating came up, right? Is it I can't serve myself the food or I can like physically eat the food by myself.

Wade Pfau 36:42

In terms of Yeah, being able to prepare preparing food, yes, there's an example to chew and swallow Exactly.

Alex Murguia 36:47

There's an executive function component to preparing the food. And then there's certainly going

Wade Pfau 36:53

to be some discretion involved with the medical professional. In those kinds of situations, I think it's ultimately you don't have to create delicious food. It's going to be more if you if you're able to get the basic nutrition you need, then that would probably whether it's however, you make this food or whatever the case may be, it's going to probably define more in terms of can you get nutrition or not? At some level? Gotcha. But yeah, I think there's ultimately going to be some discretion and it will require reading closely, what the specifically how the the insurance policy defines that.

Alex Murguia 37:32

But for someone listening in the ADLs, are considered separate from the the incidental activities of daily living,

Wade Pfau 37:39

right, yes, incidental things that are not going to trigger long term care.

Alex Murguia 37:43

That's kind of what I'm trying to decrease discriminate between. Okay. I think, Wait, that's, that's good for laying the groundwork for the importance of long term care. And, you know, what are some qualifications for long term care, knowing that results vary depending on the policy?

Wade Pfau 38:06

Yeah, yeah, absolutely. And so yeah, that's an introduction. And then we'll in our next episode, we'll continue on and talk about the costs and prevalence of long term care in terms of the probabilities of experiencing events and what those events may cost. It's a lot of fun to look forward to the next episode.

Alex Murguia 38:26

Yeah, we're like the heart. All right. All right, everyone. Thank you for listening in. Yeah, exactly. Depressing there. But we'll hit you folks up next week. And we'll bring more sunshine to the long term care fog was that way that's the best like it sounds great. Alright, everyone, thank you for listening. Thanks,

Wade Pfau 38:54

everyone.

Bob French 38:57

Wade and Alex are both principals in McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tyson's Virginia. The opinions expressed in this program are for general informational and educational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific securities. To determine which investments may be appropriate for you, consult your financial advisor. All investing comes with the risk including risk of loss. Past performance does not guarantee future results.