

Episode 116 Costs and Prevalence of Long-Term Care Planning

Wed, Mar 13, 2024 10:14AM • 45:00

SUMMARY KEYWORDS

long term care, years, provide, people, care, paid, numbers, estimates, men, long, average, needing, cost, point, retirement, nursing home, women, virginia tech, talking, living

SPEAKERS

Wade Pfau, Alex Murguia, Bob French

Bob French 00:00

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Wade Pfau 00:41

Hey, everyone, welcome to retire with style. I'm Wade, and I'm here with Alex. And we're continuing our arc on long term care looking today at the costs and prevalence of long term care, look at the probabilities of needing long term care and what the costs might then be to for those long term care needs. So we've got a lot on the plate today to get through Alex. But before that, what's new in your world?

Alex Murguia 01:06

Well, we just recorded this interesting podcast on why long term care is important. So we've done that. That was pretty cool. Now,

Wade Pfau 01:16

if you continue in your sartorial trend of wearing mohair for do you mohair wool

Alex Murguia 01:23

sweaters. I don't know if you remember last year, I always had like a cardigan for like every day. I think I bought I had a ton of it. And then I would send them to my my buddies dis me posing weirdly and you know, just like living like a whatever an old man L.L. bean thing, just to get the Reaction, I wouldn't tell them anything. I just sent a random picture of me like in the kitchen or something like that, and like a cardigan, and after a while they were just like, freaking out. And this year was mohair. So I'm all over that. My wife though she makes fun of me because she says you look like a hairy person. Because it's all these like stringy kind of I think it's comfortable. It's no, it's not it yet, but it's actually pretty soft. It's nice. I actually like it. You wouldn't I know what you're saying? Because it's, you know, it looks like there's arrows all over it. But it's quite nice, really. And I figured, yeah, why not? Let's try it this year. That's me my

theme this year. So that's new. The kids, the the twins, I have twins that they turned 18 on the 20th. So a few days ago, and it looks like they're gonna go to one of the Virginia schools. They're debating between Virginia Tech and James Madison. So we'll see what happens. Although andere got it for Virginia Tech and and Matteo applied. And under applied, I think to the general business, no, sorry, Mattel applied to the general business and under apply to the financial planning program in Virginia Tech. Now they did that not answer because oh, I want to be a planner. But because, you know, sometimes you're playing the odds, and you can always switch majors. And he was thinking, Oh, if I apply to business, it's probably more competitive. Let me apply to the financial planning piece. But afterwards, I told them, you know, it's, I think it is I told them, you know, Virginia Tech's one of the best financial planning programs in the country. Yeah. That's why I asked you the other day, who are some of the professors that are that you may know?

Wade Pfau 03:17

Yeah, yeah. No, it's definitely right up there in the top five or 10 programs in the country, then. Virginia Tech, Texas Tech, University of Georgia. Absolutely.

Alex Murguia 03:26

And regarding the Virginia Tech program to state we'll see what happens. It's a toss up between Virginia Tech or let's go. James Madison. We'll see but that's kind of what they wanted. So that's that's what's going on in the Murguia household right now. The big reveal the big reveal of paying college defeat, yeah. Now in a few years,

Wade Pfau 03:52

on college aid, financially, right.

Alex Murguia 03:56

But next, because, well, part of it was, you know, they're not gonna, you know, I have this conversation, I'll have this conversation, with Wade in five years when his kids are graduating, and the conversation won't be the Virginia schools, it'd be like, Oh, which Ivy League program are they are they thinking about doing but for me, I remember telling them listen, it's not the cost but I don't think necessarily think going to Indiana University, you know, a good school or whatever, which is comparable, let's just say just to Virginia Tech, why am I going to pay for the privilege of the out of out of price ticket charge on that?

Wade Pfau 04:32

Yeah, like tuition for public that you can't

Alex Murguia 04:35

justify that. At least for me. My mental calculation

Wade Pfau 04:39

for Texas public especially like financial planning, but I don't think my children will necessarily be interested in financial planning but Texas Tech Virginia Tech they're both great options UT Austin is another good instead pickle

Alex Murguia 04:51

so but for that's a general school but for planning I think it's just Texas Tech right? Not

Wade Pfau 04:54

Yeah, not right, Texas Tech is the the quote unquote, Harvard Okay. Get this.

Alex Murguia 05:00

Harvard, I'm sure at Harvard. Harvard is no Actually no, no, no, you're I was in the Harvard bookstore the other day, and I bought a sweater that said Harvard, the Texas Tech or the North. It was a, it was amazing. It was amazing. And now, you know. Yeah, the whole rigmarole that they're going through which this is retirement stuff. So we're not gonna get into that. We'll see how that lands.

Wade Pfau 05:28

Right, but they don't really have a financial planning program. So it's not even if no competition.

Alex Murguia 05:37

Yes, I was gonna say I was gonna go to Harvard, but they didn't have my major planning major. So it just takes a sec. There we go. All right, fire away, man. A

Wade Pfau 05:51

long term care. Yeah, costs and prevalence of long term care. Now, to just introduce the idea, at some level, we're gonna start talking about probabilities of long term care needs and their links. But at the end of the day, that doesn't necessarily matter all that much. Because it's really, as an individual, you don't get to rely on these distributions. You're not gonna have a long term care need or you're not. And so yeah, but if that's something you're gonna plan for, there's

Alex Murguia 06:19

some people. So we keep them listening. And so they don't just hang up, it's out there. It's good to know what the odds are for things like this, regardless, come up until the end game shouldn't be Oh, it's only 20%. So I'm not going to worry about it. No, not at all. But let's just give you a sense. In fact, it's the other way around. I mean, there's some folks that are sometimes overly anxious about this, in the sense that they don't even move forward because there's just this fear of dread is this pervasive dread that comes over them when it comes to these kinds of issues. So, you know, doesn't hurt to put in some realistic expectations. But the end result is and you see, don't worry about it. Now. The end result is more. The Boy Scout thing always be prepared. Well, your boys asked you, I think you were at.

Wade Pfau 07:10

I did come to the bear. Man,

Alex Murguia 07:12

I would have bet money. I would have bet money into the Boy Scout kind of thing.

Wade Pfau 07:18

Like an Eagle Scout.

Alex Murguia 07:19

Do you have that vibe? I would have thought 100%. Like I said, don't know who you really don't know who you really are

Wade Pfau 07:27

male leadership in my life. So well,

Alex Murguia 07:30

you know, who's Eric Clark? I think he's an Eagle Scout, which is pretty cool. But all right.

Wade Pfau 07:39

All right. Yeah, you become an astronaut. Okay, well, that okay. So not? Yes. So anyway, that being said, let's get into what it mainly referencing, it can be hard to find data on this sort of thing. But there is the Department of Health and Human Services put out puts out a really good report. And sometimes they go a long time without updating it. Fortunately, it's still been relatively recent. They did update their report in August 2022. So they have really good information, what they focus on is, right now it's for people turning 65, between 2021 and 2025. So if you're right in that range, where you're about age 65, what are the odds that you're going to experience a long term care event in your lifetime? And that's really what the report is focused on. They also provide some cost estimates around that, and we'll talk also about Genworth, which is famous for providing their cost estimates of long disease.

Alex Murguia 08:39

And this is something before we get into the numbers, something I would say is, there's two levels of long term care there that you may be asking. So if there's, do I need long term care where the chances I'm going to need long term care? Now, that's a yes or no, etc. But beyond that, is, if I need long term care about how long will I need it? Because obviously, it's very different one year of long term care versus seven years of long term care versus whatever, 14 years. And the caveat is sometimes when you kind of need long term care, it's not necessarily that the end is near. But that's usually because there's some issues that are starting to exacerbate your your overall health. And so, you know, it's probably going to be a shorter time than a longer time.

Wade Pfau 09:30

Right, but for the average person unless it is more of a dementia related, then that's where the sky's the limit on how long the need may last but yes, in many cases, the triggers for needing long term care are also general triggers for the the end to being closer rather than further away. Is that an empathetic way?

Alex Murguia 09:51

I don't know. I was just thinking, the first I started the whole thing off with it doesn't mean that the end is there but just You'd

Wade Pfau 10:02

mentioned trigger. But if it is other, but some other Yeah,

Alex Murguia 10:05

exactly. Let me just leave it there. There's no way to do it other than saying, but all right, God. So what are what are the percentages here? Well,

Wade Pfau 10:16

and I, when you said that two different things there, we're going to talk about two different sets of numbers, the first set will be more depressing than the second set, but the distinction is any need versus paid need. So of course, a lot of long term care is unpaid. And it's coming from family members or friends. So it's not coming out of your pocket, although it may be coming out of their pocket in terms of if they have to derail their careers. And that sort of thing is definitely that consideration. But in terms of you paying for care, much long term care is or a spouse, family, friends, your spouse is the one providing care for you. Any kind of long term care is what we'll talk about first. And then we'll switch over to numbers that may seem less depressing, but it's the probability and length of paid long term care. So first, the probability and length of any long term care event. And for men, and this is again, people about age 65, right now. So turning 65, between 2021 and 2025 49% of men will need long term care help. That's the 100 days or more 64% of women, and all these numbers are going to be higher for women, because women is that they live longer than men, which I guess would be the main trigger with this particular category. So there's more time for long term care events to happen. So 49% for men, 64%. For women, how long do these long term care needs last? The average for men is two and a half years, the average for women is 3.6 years, so more than a year longer. And then in terms of just the distribution of so that we talked about so not needing any care, that's just the the opposite half of men, 51% of men, 36% of women will not have any long term care need after age 65 in their lifetime. And as Alex was talking about last week, that sudden death just means you may not need long term care. So that's one of the reasons but those are the probabilities not needing care. needing care for one year less 11% of men 12% of women needing care for one to two years, 7% of men, a 9% of women needing care for two to five years, 13% of men 16% of women. And then the last category they have is needing care for five or more years. So more than five years, 18% of men 26% of women. So about a fifth of the population at 22% combined for men and women will need help with a long term care event for five years or longer.

Alex Murguia 12:56

So just in case people are listening in, I'm always sensitive when we're just we're kind of reading from a phone book here, right? We're just reading a table. No way it's actually doing it from memory. Reading from a table. But when you said Men 49% Men who will need care, 49% Right. And then we go down the list percentage of men who need one year or less 11%. To be clear, it's not the 11% of 49%. It's 11%.

Wade Pfau 13:27

Yeah, 51% of men don't need any care than 11% need care for less than a year. And so

Alex Murguia 13:35

also if you're doing planning and you're doing your budgeting and all that all that jazz if you if you combine the percentages between Okay, 49% of men, 64% of women and you and your wife are doing your planning, it comes out to 56% We'll need you know, the odds are 56% of your you know, you'll have a 50% chance of needing to pass off yeah, of needing to solve for this long term guarantee.

Wade Pfau 14:06

Yeah, there's more women than men aged 65 or older.

Alex Murguia 14:09

So that you have it. It's interesting to the extra year, like men are at two and a half years. So once you go in, you know it men average two and a half years, women average 3.6 years. Now, obviously, there's no silver lining, because that means that you don't need more not because all of a sudden you're not on long term care. And now you're able to live by yourself. It's you've passed, right?

Wade Pfau 14:35

If you Yeah, I mean, I don't know what that percentage is, of course, some people will have a long term care need and then they get comfortable. I would say it's going to be a lower percentage. Yeah. And

Alex Murguia 14:45

so the point that I'm trying to make with this is long term care, right? You have, you know, two and a half years is the average only 18% of Men will need it more than five years. And 26% of women will need it more than five years. So some folks when they're doing their budget, and I think I need \$5 million for long term care, because I know what happens if I need to live there for 20 years. That's not the most likely not gonna happen. It's really this, this this burst that needs to be funded. Now that bursts can be extremely expensive. But it's not like in perpetuity, if you will.

Wade Pfau 15:29

Right, there's never a zero, you can't 100% manage every possible risk in retirement. So of course, someone could experience a 20 year long term care event, but it's not at all reasonable to ask people to plan in advance to be able to fund 20 years of long term care before they can retire. That's just not gonna work out

Alex Murguia 15:49

and we put you on the spot since you do a lot of this stuff. If you don't, this doesn't have to be thought out. This could be just what's your intuition? If you were to do your budget, your own budget, because a lot of times folks just ask, you know, what would you do in your situation where you're doing your own budget, and you're thinking about long term care? How many years do you think you would try to save for?

Wade Pfau 16:11

Why I can actually answer to this question because I do have my own financial plan, I have a plan for myself and my wife plan through age 100 For the last five years of that, so he just 96 to 100. I add in in today's dollars, but adjusted for inflation, an extra \$100,000 A year budgeted for long term care. So for both of you in today's

Alex Murguia 16:34

dollars, combined, combined

Wade Pfau 16:37

to be split between us as needed. So

Alex Murguia 16:40

500 grand for five years is 500 grand

Wade Pfau 16:44

in today's dollars now be discounted, because I'm assuming that money will grow before Yeah, I'm 96 years old.

Alex Murguia 16:53

Okay, I'm behind on my planning everyone. Let me just take them to retirement, I'll do that worry about later once I retire. But okay, so that's fun with numbers any other.

Wade Pfau 17:07

And well, we'll talk more about budgeting one of our last episodes in the ark is, of course, if you have a long term care need, that's going to reduce some of your other expenses, like you're not going to be traveling and so forth. So part of planning for long term care is accounting for offset like, just because the nursing home may cost \$100,000 A year doesn't simply so when I said I'm adding \$100,000 to my budget, that's also a conservative estimate, because I didn't reduce my non long term care budget. That's hard. That's a good

Alex Murguia 17:38

point. When we're talking long term care, we mean, like the formal definition of long term care, we're not including time you're not you don't include in these numbers do not include time spent when someone comes to visit your house, you know, and, you know, like, just regular time your family coming over. And there's a cost to that kind of stuff that you know, things that are that are not necessarily you know, what were the numbers

Wade Pfau 18:01

we just talked about that that would include unpaid care as well. So that would include estimates around you're receiving informal care through unpaid caregivers. Okay. All right. That's what's partly inflating these numbers and getting the men on average two and a half years, women on average 3.6 years. It's so it's not an out of pocket expense that you face, but we do have to consider it is there's non direct costs of having family members providing care, especially if it disrupts their own careers. Gotcha, gotcha and their own health. Okay.

Bob French 18:42

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Alex Murguia 19:07

then, what's the next one, then? What would be the paid long term? They're protected use of paid long term care?

Wade Pfau 19:13

Yes, so these numbers are less depressing in terms of probabilities in links. But this is explicitly how long or what's the chance you have to actually pay someone for care whether it's an in home caregiver that is paid in home caregiver or whether it's moving to an institutional environment assisted living and so

Alex Murguia 19:32

this sort of my comment is addressed towards through this one.

Wade Pfau 19:35

Yeah, and this is so 39% of men. 51% of women will need to pay for long term care at some point in their retirement or in their life. And on average for men, it's point six years. For women it's one year so much lower whereas before we said men two and a half years for long term care support, it's point six years for pay Long Term Care support that means the other 1.9 years is unpaid care. For women, we said three and a half years, one year of paid care. So two and a half years of that was unpaid care. Okay.

Alex Murguia 20:12

So just to just to make it clear to everyone, because when we when we reviewed the first set of numbers, we didn't say unpaid care, we just said long term care. And that meant like all in number of unpaid and paid. So this one actually unpaid. And so if I'm a listener, to some extent, this one is the one that I'm more interested in, at least Yvonne me myself, because I want to know, what what am I coming what's coming out of pocket, and unnecessarily me calling my sister to say, Hey, come on over, I need Epsom salt or something like that?

Wade Pfau 20:43

Well, the unpaid care could be a little more involved than just quick. That's the, yeah, this is where you're paying out of pocket. But we can't discount. When adult children when a spouse and someone has called into action to provide this care, it can be very disruptive to their own life. And this, if they're in the peak of their career, this can be very disruptive to their ability to plan for their own retirement

Alex Murguia 21:09

100%. Wade, I just want to I just want to make sure, from a listeners vantage point that the numbers you're talking about now have more to do with the actual out of pocket costs that that they're going they're going to expect the distinction. That's that's what I'm trying to get to.

Wade Pfau 21:29

This is about how long you're going to be paying the bill. Exactly. directly, directly paying, what are those numbers for your it could be your children are paying the bills for you. But this is somebody's cutting a check it paid to provide you long term care rather than an unpaid family member or friend. Okay,

Alex Murguia 21:46

and what are those numbers that?

Wade Pfau 21:49

Well, but I just Yes, the 39% of men for an average of point six years, 51% of women for an average of one year, average length of one year. And then that percentage needing paid care for five years or longer. These are much lower before we're talking about in the ballpark of 20%. For men, it's 3%. And for women 6% will need to pay for care for five years or longer. So that is significant. That sounds less depressing,

Alex Murguia 22:20

because it goes from 18. For men, it goes from 80% just needing Long Term Care, that's of significance, that's going to be impactful. Let me say like that, that 18 goes down to 3%. When

you're talking about actually cutting, cutting checks, that's not taking into account the human cost of things, but just or opportunity cost of things. This is just five years or more, it goes down from 18% to 3%. And for women, it's from 26% to 6%.

Wade Pfau 22:52

Say feeling better now?

Alex Murguia 22:53

Well, no, it's still I mean, because men are still this 40% chance, rough 39% chance, they're cutting a check for long term care. And for women 51% chance that somebody will be cutting a check for long term care. What is striking to me is that paid long term care is about half a year for men and one year for women. And so this is something that's there like grapes, it just comes in bunches these expenses.

Wade Pfau 23:24

Yeah, it's probably worth emphasizing like long term care to sound Stan is more of an issue for women than for men. Because women live longer than men. On average, the wife tends to be younger than the husband and a couple. So not only do women live longer, but if they're also two years younger than their spouse. That's another two years to add to that. So a lot of times like in an on average, if the husband has a long term care need, the wife is being the unpaid caregiver. This is depleting the family's financial resources, this is creating stress, perhaps hurting the health of the wife and so forth providing this care, the husband passes away. And then later now the wife is going to need long term care and may have been triggered in part by the stress of being the caregiver for so long debts, financial assets will be more depleted by that point. There may not be someone to provide that care, maybe more need to have financial to pay for care, because the the wife was the unpaid caregiver before. So the need for paid care. It's more significant for women to some extent, because of these particular reasons. I

Alex Murguia 24:37

think you're I think there's something there. And that anecdote is not evidence but for my own situation with my in laws. It was the same issue. Only the genders were switched. My wife's grandfather was taking care of the grandmother and that exacerbated his condition significantly, in which they both ended up you know, needing paid care much quicker. And then the same way With my mom taking care of my dad. So I do agree there's this sort of even though it's unpaid. There's always a cost. Right? And now that we've talked about percentages, what, what \$1 amounts that we're thinking about here?

Wade Pfau 25:18

Yeah, yeah, the dollar amount. So we'll switch over and talk about the Genworth cost of care study in just a moment. But to finish with this government report, we've been describing the estimates they provided these are in, even though the the article came out in 2022, and 20 \$20. So there's been a lot of inflation since 2020. already. But the for men, their average lifetime expenditures were \$121,500. And for women, the average lifetime expenditures were \$156,300. When you add those together, and that would be it's less likely that both two people are less likely to both me that the average long term care expenditure, but for if you would just add those, you're looking at \$277,800, which maybe slightly coincidentally, these numbers are similar to what that fidelity healthcare costs. Like, but these are different this is so it's like 300,000 for for Health Care Plus, you know, close to \$300,000 for for long term care.

Alex Murguia 26:22

So are you saying what 600,000 You're all set?

Wade Pfau 26:28

For the health care and long term care?

Alex Murguia 26:31

Potentially, potentially, but it doesn't call it doesn't take into consideration the first table that we're talking about, which is just the human costs, the time spent, etc. Okay.

Wade Pfau 26:48

Well, a couple more points before we get into that Genworth cost of care study. So what triggers the long term care need, it could be an accident, it could be chronic illness could be a dementia related concern is people age just the risks of things like strokes and dementia are what are triggering that increased probability for needing care. Of course, long term care needs can happen at much younger ages. But it just as you get older, the probabilities increase for needing care. If your family history includes longevity, living a long time, in addition to things like dementia, Alzheimer's, neurological disorders, that can all contribute to a higher probability of needing long term care. And then we mentioned this last week, but it just mentioned again, the irony is, the healthier you are, the more likely you're going to need long term care at some point, because you're you're gonna live longer, and you're just gonna be more exposed to these events happening with age where a long term care need will be triggered. unhealthy people may not live long enough to need long term care, healthy people, ironically, are more exposed to the risk of needing long term care.

Alex Murguia 28:03

Yeah, at looking at the stuff too, that went to this a little bit. Can you explain this because this was a just a side note that I thought was interesting. DHHS Department Health and Human Services estimates that on average, women needing paid care will require 34,800 More to be set aside at 65. I assume more than men, if you will. And that's, and that's, I'm bringing that up. You've said it previously, in terms of the n number, but if someone's budgeting for this, and there's a husband and a wife, you talking about you and your wife, you just did, okay, it's 500,000, you know, call it, you know, and you're splitting it evenly. But here, you know, if there's a separate policies, etc, etc. This is something where you may want to provide a little more cushion for the wife than for the men.

Wade Pfau 28:59

And that's part of just figuring out like, implicitly, I guess what you could say about the plan I have for my wife and I, maybe I'll need two years, she'll need three years. So it adds up to five years. That's, that's pretty conservative, because the odds that both people have that kind of long term care need are less than the odds of just one person having that type of long term care need. Good. But yeah, yeah, that's we saw in the numbers that women have longer needs than men, even for both paid and unpaid and so that's what's really directly contributing to those higher cost estimates for women.

Alex Murguia 29:36

Okay, now, can we get to the numbers? Are we good? Yeah.

Wade Pfau 29:40

So the other and this is where, you know, as time goes by, it seems like things are getting less lower quality, like Genworth used to do this annual update. They have these very detailed numbers about the cost of long term care. They haven't updated it since 2021. At this point, so it used to be every year so I'm sorry, we're talking about 2021 numbers, but there isn't anything more recent. But that being said they do have they go state by state. We'll talk about the national averages. And what we mentioned a little bit about the state by state differences. They provide estimates on a daily, monthly and annual basis, which is just simply monthly is 30 times daily annual is, I think, I don't know it probably 12 times a month. You can reverse engineer the different categories, they are based on durations, I'll just talk about the annual numbers. They talk about for homemaker services, in 2021, on average in the United States \$59,488 a year, if you have a homemaker, which is different or distinct from a home health aide, but these are both in home care services, a home health aides \$61,776. So they're both in the ballpark of \$60,000 a year on average in the US, an adult daycare center. And this is going to be more in the context of an unpaid caregiver being the main helper, but that for that individual to go to work, then you have the the individual go to the adult daycare to get service during the daytime, community activities, many different things going on there. The average cost of an adult daycare center per year \$20,280. You've got the assisted living facilities, which actually the price was a little bit less than that really detailed in home care, assisted living facilities were averaging \$54,000 in the US. And then nursing homes, they distinguish between semi private rooms, I think that's just two people per room versus a private room where you've got your own room, the semi private rooms, \$94,900 per year, on average in the US, the private nursing home room \$108,405 A year.

Alex Murguia 32:03

How when Tom was again doing their planning around this, what growth rate on the expenses do you put on this?

Wade Pfau 32:12

Yes, so we usually think of long term care expenses growing faster than the overall inflation rate. In the last few years. That hasn't necessarily been the case. But we'll talk about as well, over time probably will, it will be the case that long term care costs grow faster than the overall price level. So if you're thinking like Well, I'm planning for inflation in the two to 3% range, you might be wanting to inflate these types of long term care numbers at closer to 5%. And that was over the previous five years from 2021. The in home care was growing at more than 5% a year, assisted living facilities are growing at 4.4% a year over the previous five years, the the nursing homes were closer to 3%, on average over the previous five years, which is a bit of an anomaly, they were more growing faster than inflation. And again, probably we shouldn't just apply those numbers is it's probably reasonable to inflate those numbers at a couple of percentage points higher than what you're using for your overall inflation rate. If you're predicting these long term care expenses into the distant future, which can really compound there's all these trade offs. So what I'm saying \$100,000 When I'm 96 years old, that's kind of linked to these \$100,000 ranges for nursing homes. Now really, that \$100,000 should be inflated at a much higher rate than the overall inflation rate. And I'm not doing that. But on the other hand, I should also be offsetting other expenses, because I won't simply have all that going into long term care. So there are trade offs here. And we do with the retirement researcher Academy. And in my retirement planning guide book, I have got a spreadsheet that shows all how all these variables interact.

And you can kind of get a customized sort of estimate that way where you put in, what is the long term care expense in today's dollars? How much will other expenses reduce due to the long term care event? What's your overall inflation rate? What's your long term care inflation rate? What's the appropriate discount rate for the calculation? And it'll give you a present value of what it's going to take to fund that long term. You also said what age will the long term care Event Begin? How long will last Wait, and then you'll get a present value

Alex Murguia 34:32

when I'm looking at this than one of the things that strike me. And I'm trying to I'm trying not to relate it to the clients at McLean and things like that, because obviously it's a limited sample. So I'm curious if you, you've seen a study on this, but you're showing stuff on long term care. Excuse me more long term care and the percentages of people that will need it from a paid standpoint. And it seemed like For men, that's less than a year. But have you seen anything that does a little trajectory? Where, yes, and this is kind of the path you take, first you go to adult daycare. And you could do that for five years. But then eventually, you need services beyond adult daycare, because the the caretaker who's taking care of you can't wake up at two in the morning, every day for and then take care of you for the next three hours from two to 5am. Because you want to go back to sleep. And so at a certain point, you need that nursing home piece of it, or a home health care one. But you know what I'm getting like these can stack on each other as well.

Wade Pfau 35:37

Right? Yeah, there's a progression. And I kind of the way I mentioned those was the progression. But you're asking, like more detailed? How long does each level?

Alex Murguia 35:47

Or if you've seen it, I haven't seen it? I'm just curious if you have, yeah, I

Wade Pfau 35:51

don't know that there's any good data on that. And certainly, in home care, can replace the need for institutional living, if it's just

Alex Murguia 36:02

taking even the use case of adult daycare, and then going to a nursing home. Because that happened to my dad, frankly, and I've seen it happen to a lot of our clients. And so I'm trying to think about that within the context of the tables. And why because if I'm a reader, I'm kind of I would probably, if I'm a listener, I probably would wonder if it gets what we're saying, to projected use of paid long term care. You know, whatever is point six years for men.

Wade Pfau 36:29

And then right, and the government study does not break that down into what Yeah, and, and yeah, exactly.

Alex Murguia 36:37

Like, if someone does point, if someone to the same person does two things. Do they kind of two people? Or is it this one continuation? So either, but I'm just trying to break that table. This, I'm trying to figure out, you know, is there a gotcha here? And I actually, I haven't seen anything that says, Look, this is this is the path that you're most likely to take.

Wade Pfau 37:05

In terms of adult daycare, we know that Pat, right. Nursing homes is last in the see answer. But

Alex Murguia 37:16

I don't know about the prevalence of that. But do you go both right to nursing home, right? Or do you usually do daycare for two years, and then they're like, You know what, they need more.

Wade Pfau 37:28

Yeah, and that may be more of a sense of living. It's the same situation. We may start with assisted living, but then at some point, they did make the determination that you need nursing care. Because they just they're not able to provide that 24 hour round the clock and paid service.

Alex Murguia 37:46

Good. Again, just curious if you've seen anything?

Wade Pfau 37:51

No, I haven't. Okay, but we're talking about these national estimates. And they do vary a lot state by state. So generally speaking, long term care is more expensive in the northeast, New England, part of the US. In the Upper Midwest, the kind of Minnesota Wisconsin area, the West Coast, Alaska and Hawaii, Connecticut in Hawaii, Alaska is just off the charts. They're an anomaly. It's very expensive for long term care in Alaska, but in the continental US, Connecticut, so most expensive state where that median cost for a private nursing home room in a nursing home 182,000. Compared to that, I think I said 106,000 national average. The cheapest state in the US for a private nursing home was Missouri \$71,000. And it's generally that South and southern Midwest area that's less expensive, Louisiana, Oklahoma, both came in at less than \$80,000, too. And there's a few other states, I think Texas is one of them, that's just slightly more than 80,000. So that the South Lower Mid Midwest is less expensive than the rest of the country surrounding these numbers.

Alex Murguia 39:07

I wonder if there's even a calculation that someone takes where it's like, Man, my house is good enough, I can hire two people to cover two shifts full time. And that may come in less than 100. And at certain point, it's like, people at this point.

Wade Pfau 39:30

Yeah. Now, yeah, I think we already mentioned the point about how inflation generally higher for long term care, as of that study, updated in 2021. That hadn't been as case the case as much, but we should probably really anticipate it will be the case again, in the future where the cost of supporting long term care needs is going to grow. There's a lot of demographic trends in terms of people having fewer children. So they're gonna have less built in unpaid caregivers. So there's gonna be in the future. Like if people who had three children who are now in their 80s, and 90s, someone who may be more likely to take care of people today, having one child, less likely to have that be in that position. And also, with people moving around the country and everything else is just in the future, there's going to be more need for paid caregivers with the demographics, the percentage of the population that is at those more advanced ages is going to grow over time, there's estimates out there that for instance, the number of Americans with

Alzheimer's will triple by 2050. And that can require a lot of help with long term care. So we're going to be increasing a situation more people are going to need long term care, there's going to be fewer younger people to provide that care. So you really have to anticipate probably those inflation rates are gonna grow faster than the overall inflation rate. And so then Medicaid does provide that last resort funding option, but just due to the realities of supply and demand, it's going to be hard to maintain the sort of quality care through Medicaid. And so if you have the ability to self fund, it may be worth really considering doing that, rather than relying on Medicaid for this. I can see your, your taking that just really is.

Alex Murguia 41:31

I'm trying to in my head, I'm trying to again, just think about the listeners here. From a takeaway standpoint, we've provided the probabilities, we've provided the numbers, and you've ended it with like, Listen, this is something that's going to be more and more simply because that's the way that demographics are playing out, both for older folks, but even the younger generations may not be able to provide the that the support that we're providing previously, because simply put, people are more mobile in the workforce, and they may end up living in different areas than they were 50 years ago, 30 years ago, and the like, look, I mean, look where you are right now. You're away from your Mom, look at me. I'm away from my parents. It's one of those things, and obviously I I'm still helping out, but it's to the point that yeah, I'm flying to Miami, what one once every 45 days. Right, something like that. I think I've been averaging that for the last two years. Not everyone is in a situation that they can do that. So it's tougher. And so I think your points will take and that you know, long term care formal Long Term Care paid long term care. is increasing in prevalence not decreasing.

Wade Pfau 42:52

Yeah, and so as we continue the arc with the next episode will will actually talk more about that continuum. We saw the continuum starting with the the general study there, but the range of different Long Term Care Options, and then I'll try to also introduce the idea of a continuing care retirement community. Although they definitely took a hit with public perception during the pandemic, but then we'll continue Yeah, just talking about different long term care options.

Alex Murguia 43:19

We gotta we gotta find out how we can end on an up note. Alright, everyone, thank you for this very special edition of retire with style. We look forward to, you know, hitting you up next week as we continue this art. Wade.

Wade Pfau 43:40

Yeah, thanks, everyone. Catch you next week on retirement style.

Bob French 43:45

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 a risk including risk of loss. Past performance does not guarantee future results.