LONG-TERM CARE INSURANCE

Retirement is the perfect time to reap the benefits of years of saving and hard work. It arrives with the promise of freedom and independence. Yet fulfilling that promise requires some careful planning.

Contributing the maximum towards your registered retirement savings plan (RRSP) is an important step you can take to ensure your future financial stability. RRSPs offer a tax advantage and can provide a valuable source of income in your retirement years. These funds are available to help maintain or enhance your lifestyle. But what if you experience a serious health setback?

The fact is that Canadians are now living longer than ever before. So there's a good chance you'll need to stretch your retirement savings out over a longer period of time. Plus, the older we get, the more likely we are to require some form of extended health care. Over a period of time, these expenses could add up to thousands of dollars.

What is Long-term Care?

Long-term care includes ongoing support from medical professionals, including nurses and aides for household services. It can be provided in a long-term care facility or in your home. Either way, long-term care can be expensive.

Where Will The Money Come From?

Should you require long-term care, you may have no choice but to relinquish the financial freedom you worked so hard to achieve. You could be forced to deplete your hard-earned retirement savings or liquidate your family's most prized assets in order to help pay for what could be years of professional care.

Options To fund The Costs Of Long-term Care

- **RRSP Savings:** You may think that your RRSP savings will be enough to cover the cost of long-term care. Think again. Based on $50 a day for home care for two years and $90 a day for facility care for five years after home care, a $250,000 RRIF balance would be completely depleted in only seven years.

- **Saving on your own:** What if you decided to save the funds required for long-term care? This option requires setting aside a significant amount of money on an ongoing basis. Based on the example below, you would need $6,453 per year for 20 years to accumulate enough money to fund the costs of long-term care.

  - Based on $50 a day for home care for two years and $90 a day for facility care for five years after home care.

  - This amount was derived assuming an annual rate of return of 4% and an average tax rate over the 20 year span of 40%.

- **Long-term Care Insurance:** You can plan for the future now by purchasing Long Term Care Insurance. This cost effective option helps you preserved your financial security by giving you the resources you need to remain financially independent, even in the face of a serious health setback. An annual premium of $1,208 would provide the same lever of coverage as saving $6,453 annually. Based on a 50 year old with $90 per day for facility care with a 5 year benefit period and $50 per day for home care with a 1,825 day benefit period (about 5 years). Premiums will vary depending on age and health circumstances.

- **What About The Government Health-care Plan:** While government health-care plans are fairly comprehensive, they're simply not meant to offer you all the options you may need to get the care best suited to your particular circumstances. There are often limits on the amount the government plans will pay for home care. And of course, if you're covered by government health care plans only, then you will have to pay for any private facilities out of your own pocket.

Protect Your Assets And Your Financial Independence

Long Term Care Insurance can be a valuable component of your retirement strategy:

- It provides a daily benefit that can be used to pay for care you choose, whether it's in a private or government facility, or even at home.
- It provides funds to pay for additional expenses, such as specialized therapists (speech, occupational and physical), which you would normally have to pay for out of your own pocket.
- It can even be used to pay for assistance with housekeeping, cooking or shopping.
- It can help relieve our loved ones of financial obligations related to your care.
- It can help protect the family assets and savings you have worked so hard to build.

Notice:

The information contained in this section is intended solely for the readers' guidance and must not be considered as advice specific to the readers' financial situation and therefore not relied upon as advice or representations as to taxation and related matters. Readers should seek independent legal, tax, accounting and financial advice as to how the information contained here within relates to their own unique financial planning circumstances.

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