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Do You Have a Retirement Care Plan?

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Many retirement plans, including those from big retirement investment firms, begin and end with money – how much you should save, how you should invest it and how you should spend your nest egg in your later years.

But we live in a world of rising health care costs, increasing longevity (mostly for those with money and education) and generational changes in the availability and role of family care. These shifts are enormous, and they contribute to a forceful case that health care should have equal billing in your retirement plans.

The Center for a Secure Retirement, a unit of Bankers Life and Casualty Company, released a study this month based on a survey in April of 1,300 middle-income (\$25,000 to \$75,000) baby boomers ages 49 to 67. The study, "Retirement Care Planning: The Middle-Income Boomer Perspective," looks at how expectations about health care needs have changed and the misconceptions boomers have about where their care will come from and who might pay for it.

"Boomers are largely uninformed and unprepared for the day-to-day care they may need in retirement," the study said. It then presented some disturbing details:

1. Nearly three-fourths (72 percent) of middle-income boomers have no plan for their retirement care. Only 1 in 5 (20 percent) have a rough plan for how they will receive the care they may need in retirement; just 8 percent have a detailed plan.
2. Roughly half of all middle-income boomers have not had a discussion with anyone about how they wish to receive long-term care (43 percent) or how they will pay for it (56 percent).
3. Middle-income boomers significantly underestimate the likelihood of one day needing long-term care. Only one-third (36 percent) believe they will need long-term care services, whereas it's twice as likely they will actually need such care.
4. Eight in 10 middle-income boomers do not know how expensive home health aide services and nursing home care are. Boomers significantly underestimate the annual cost of nursing home care by estimating that a year's stay averages \$46,890 when the actual average cost is nearly double at \$90,520.
5. More than three-quarters (78 percent) of middle-income boomers either incorrectly think Medicare will pay for ongoing long-term care or simply do not know how they will fund their care.

The study included a thought-provoking look at the expectations that boomers have for how their retirement care will be provided and how they think their future care needs will differ from those of earlier generations.

How Care Needs Have Changed for Baby Boomers

Boomers compare their care expectations to previous generations

Attribute	Boomers	Previous	Difference
Use of remote monitoring technology	78%	9%	69%
Long-term care insurance	72%	22%	50%
Independent living communities	78%	29%	49%
Outpatient care	74%	33%	41%
High-priced care	76%	37%	39%
Home modification	69%	41%	28%
Self-administered care	68%	41%	27%
Self-reliance	69%	43%	26%
Reliance on third-party professionals for care	64%	39%	25%
Nursing homes	46%	73%	-27%
Reliance on family members to pay for care	32%	65%	-33%
Reliance on family members to provide care	42%	77%	-35%
Moving in with your kids	33%	71%	-38%

Source: Bankers Life and Casualty Co. Center for a Secure Retirement

The study found 78 percent of boomers expect to use remote health care monitoring technology and think this was the case for only 9 percent of those in earlier generations. As a result, technology is becoming the new "family" in terms of providing care, and it will be costly. On the opposite side of the spectrum, only one-third of boomers think they might wind up sharing a home with their children; more than 70 percent thought this was the case for earlier generations.

The findings also indicate that boomers expect to live on their own, use outpatient care, take care of themselves and continue to live in homes that have been modified to meet their aging needs.

The study specified four components of a health care retirement plan – informal caregiving, care process management, personal caregiving and medical caregiving – and concluded with five recommendations for consumers:

1. Don't overlook retirement care. Even if you have taken steps to build a financial plan for your retirement, you should not consider your plan complete until you have also developed a retirement care plan as well.

2. Talk openly about your care. Speak up and engage in an honest two-way dialogue about your care preferences and the role your loved ones may play. You may find that you and your loved ones will feel relieved to have had this discussion.

3. Educate yourself. Seeking assistance from a retirement care planning professional is a helpful first step. Depending on your age, you can start aligning your retirement financial plan with a retirement care strategy.

4. Resist denial. We all must come to terms with the fact that most individuals will need some form of care during their retirement years. While it may seem tempting to live "in denial" about this, taking this approach can prove to be costly in both emotional and financial terms to yourself and your loved ones.

5. Don't wait. Those who have completed the retirement care planning process indicate that starting sooner rather than later is a smart approach, and completing a plan can help reduce worries about the future.