

The One Financial Mistake 86% of Older Americans Are Making



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We all know we're supposed to save for retirement and do our best to estimate our future living costs. But if there's one major expense countless Americans continue to miscalculate, it's healthcare -- specifically, long-term care. According to recent estimates, it costs \$43,539 a year to reside in an assisted living facility, while a nursing home costs \$82,125 per year -- and that's for a private room. If you want to bunk solo, you're looking at \$92,345 annually. And in case you were wondering, Medicare won't pick up the tab for either type of service.

The solution? Long-term care insurance. The right plan can help defray these astronomical costs and open the door to more options when you're older and your health starts failing. The problem? Most Americans don't have long-term care insurance, and they're making a huge mistake in the process.

Why you need long-term care insurance

It's estimated that 70% of seniors 65 and older will need some form of long-term care in their lifetime. Yet only 14% of adults 50 and over have a long-term care policy in place, according to Nationwide. Additionally, only 27% of older workers are confident they'll manage to pay for long-term care expenses in the future.

Why the coverage gap? For the most part, it boils down to money and a glaring lack of awareness about long-term care costs. The typical 60-year-old couple, for example, pays \$3,400 per year for long-term care insurance, and that's a lot to spend on something you may never actually come to use. On the other hand, a good 20% of today's 65-year-olds will need long-term care for five years or more, in which case multiple years of long-term care insurance premiums might easily pay for themselves.

But while the bulk of older Americans don't have a long-term care policy in place, they also worry that they'll become a burden to their families once they get older. Furthermore, more than half of older Americans have yet to even discuss long-term care with a spouse, partner, child, or even financial advisor. And that's a mistake that could come back to haunt them.

The time to apply for coverage is now

If you're in your 50s and haven't put much thought into long-term care, now's the time to get moving. For one thing, read up on the costs involved so you understand what sort of numbers you're looking at. Second, understand what long-term insurance is meant to cover. More than half of Americans think these policies are primarily used for nursing home stays, but actually, the majority are applied to offset the cost of home healthcare.

And that's another thing -- 61% of older Americans claim they'd rather die than live in a nursing home. But those seeking to age in place may not get that option without a long-term care policy to help cover the cost of in-home care.

Finally, get moving on your insurance application once you come to your senses. The American Association for Long-Term Care Insurance reports that more than 50% of applicants aged 50 to 59 qualify for health-based discounts. That number, however, drops to 42% among 60- to 69-year-olds, and it plunges down to 24% for 70- to 79-year-olds. Furthermore, the longer you wait to apply for coverage, the greater your chances of getting denied, so that's reason enough not to delay.

Save for the unknown

Of course, in the absence of a crystal ball, it's impossible to predict how your health will fare over time. But insurance aside, the best way to protect yourself and your loved ones from what could come to be is to save aggressively during your working years. If you're 50 or older, you currently get the option to sock away up to \$6,500 a year in an IRA or \$24,000 a year in a 401(k), and the latter limit is rising by \$500 next year. Work on maxing out whichever account type you have, and you'll be better positioned to cover whatever medical expenses come your way in the future.

One more thing: Get your facts straight about Medicare. Countless older workers assume that Medicare will cover all of their health-related needs once they enroll, but that couldn't be further from the truth. One major benefit of discussing long-term care with a financial professional is that you'll get access to the information you need to make an informed decision about what lies ahead. And the sooner you have that talk, the more time you'll have to adequately prepare.