



FINANCIAL LITERACY EDUCATION PROGRAMS

Long-term care

Planning for Financial Security

Financial Planning offered through VALIC Financial Advisors, Inc. (VFA)

Getting started

People are living longer, and the cost of living is increasing – particularly the cost of healthcare. Have you considered the possibility that you may someday require long-term care? It's up to you to ensure that your plans for your financial future account for that possibility.

As part of the Planning for Financial Security educational series, the Long-term Care workshop offers an in-depth look at the challenges of providing ongoing care to family members when they become unable to care for themselves. The course offers an introduction to long-term care planning as an integral part of sound financial planning.

This workshop is designed as an interactive guide to help reinforce the major points covered today. Use it to jot down notes about items that are important to you as you develop your own financial strategy.

Did you know?

The need for long-term care may become a reality for many of us, whether we need it for ourselves or a loved one.

Here are a few statistics to keep in mind as we begin our discussion of long-term care.



Sources:

¹ Long-Term Care Myths. California Partnership for Long-Term Care. Retrieved January 2017.

² Who Needs Care? LongTermCare.gov. Retrieved January 2017.

³ Who Will Provide Your Care? LongTermCare.gov. Retrieved January 2017.

Notes: _____

Understanding long-term care

Long-term care (LTC) is the type of care you may need if you have a prolonged physical illness, disability or severe cognitive impairment that keeps you from living independently.

Activities of Daily Living (ADLs)

- Bathing
- Dressing
- Toileting
- Transferring
- Eating
- Continence

The basics

Long-term care includes a range of health and support services that you may need as you age or if you have a disability. Most of these services are for activities of daily living (ADLs). Family members may be able to provide some or all of these services at no charge. But if your care and support needs increase, you may need paid care to supplement the services that your family members provide or to give them a well-deserved break.

Levels of care

- **Custodial care**
 - Also known as non-skilled care; relates to assistance with ADLs and may be needed for a long period of time. Custodial services, not in conjunction with skilled care, are generally not covered by healthcare plans.
- **Skilled nursing care**
 - Refers to care that requires management, observation and/or evaluation by nursing or rehabilitation staff – for example, intravenous injections or physical therapy. Generally, skilled care is paid for by a healthcare plan but is only available for a short time following hospitalization.

Places of care

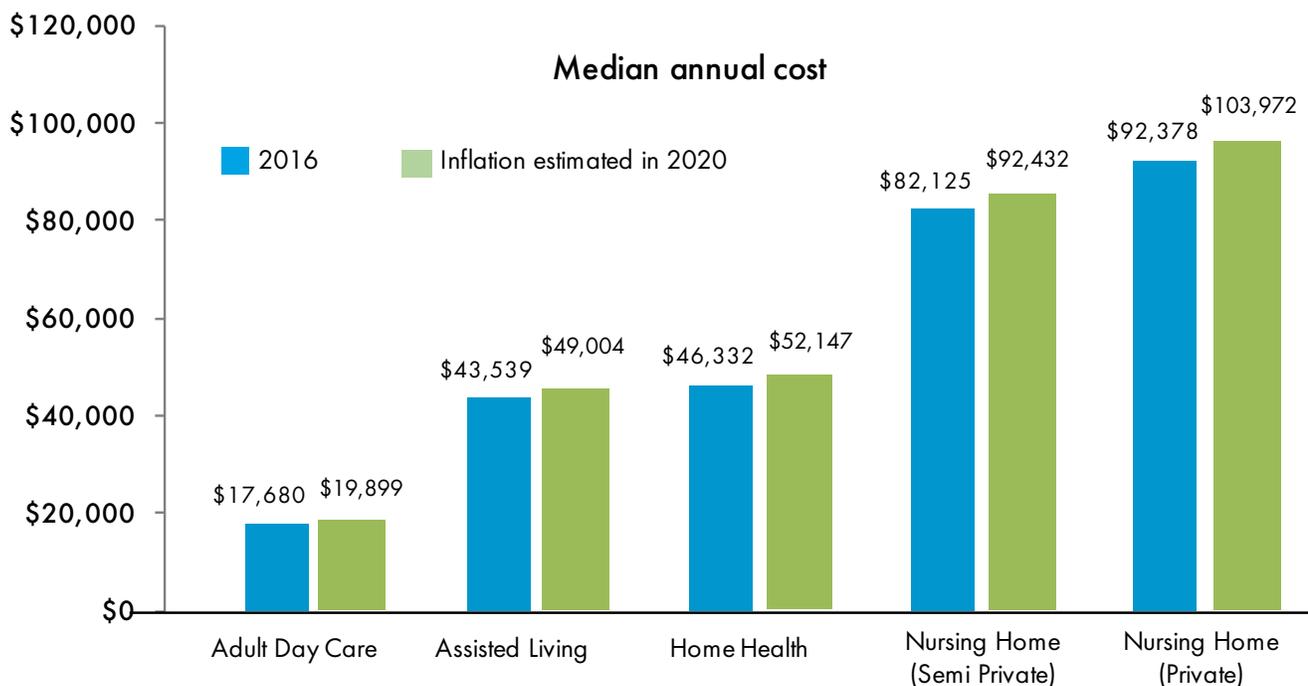
- Nursing home
- Home health
- Adult day care
- Assisted living
- Hospice facility
- Continuing care retirement communities

The cost of long-term care

As people live longer, long-term care may become an overwhelming burden and financial strain on succeeding generations. Knowing what it may cost can help you better prepare.

Cost of care

The cost of long-term care depends on the type and amount of care you need, the provider you use, and where you live. This chart shows the median annual cost for long-term care across the United States in 2016 at different centers of care and the five-year average annual cost at an assumed 3% inflation rate.



Sources: Cost of Long Term Care Survey, Genworth Financial, 2016.

Paying for long-term care

So now that we know how expensive long-term care can be, what options exist to pay for it?

Cost to family members

Long-term care can create a mental and physical toll on caregivers. The value of family caregiver services provided for free is estimated at \$470 billion annually.¹

Relying on Medicare

Medicare does not pay the largest part of long-term care services or custodial care. However, it will help pay for a short stay in a skilled nursing facility, for hospice care, or for home health care if certain conditions are met.²

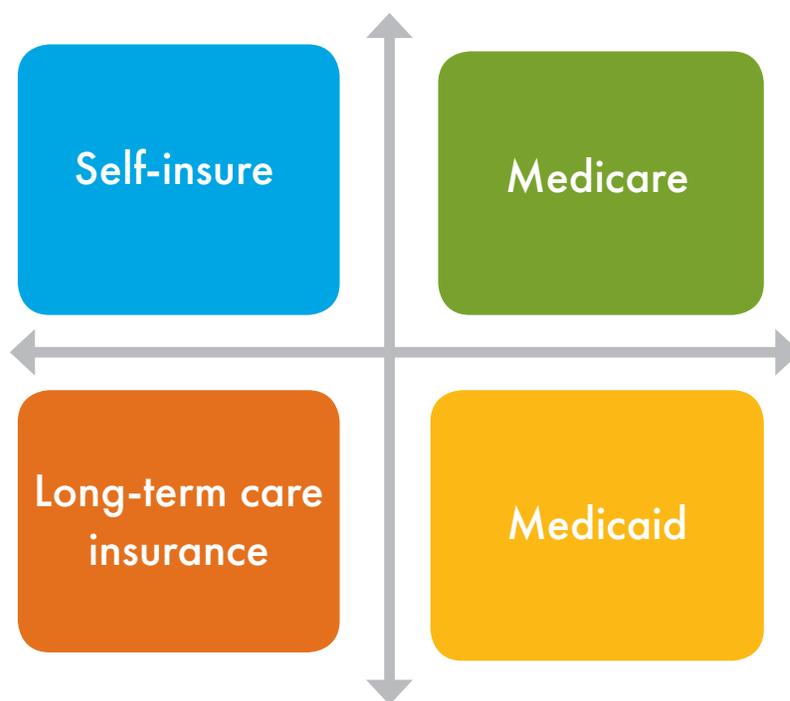
Sources:

¹ Valuing the Invaluable: 2015 Update The Growing Contributions and Costs of Family Caregiving. AARP Public Policy Institute.

² Medicare: Long-term Care Services – Skilled Nursing. Longtermcare.gov. Retrieved March 2017.

Your payment options

There are four ways to pay for long-term care:



Self insure

Self-insuring means having enough money to pay privately for future long-term care services. This will often require a dedicated, aggressive and immediate savings plan. Paying out of your personal assets is a huge burden for many people. About one-fourth of all long-term care expenses are paid out of pocket by individuals and their families.*

| Estimated monthly savings needed | For 2.5 years of long-term care | In |
|----------------------------------|---------------------------------|----------|
| \$1,771 | \$273,447 | 10 years |
| \$906 | \$367,489 | 20 years |
| \$606 | \$493,875 | 30 years |

The chart assumes continuous monthly contributions with an average annual rate of return of 5%, annual nursing home care cost of \$82,100 in 2016 and an inflation rate of 3% for semi-private nursing home care. This chart is hypothetical and only an example.

Medicare

Medicare is a federal health insurance program for people who are age 65 or older and for disabled persons of any age. It provides access to basic levels of healthcare such as doctor visits, medications and hospital stays.

Medicare covers:

- Nursing home skilled care (up to 100 days after a hospital stay of at least three consecutive days)
- Home health skilled care
- Hospice care
- Limited long-term care services

Medicare does not cover:

- Custodial care
- Assisted living
- Private hospital room
- Private nurses

Medicaid

Medicaid is a joint federal and state healthcare program for people with limited income and few assets and who cannot afford medical insurance.

Eligibility rules are different in each state, but general guidelines for eligibility in 2017 include:

- Recipient can't exceed \$2,000 in personal assets
- Recipient can't exceed \$2,199 a month in income

Medicaid covers:

- Skilled care
- Custodial care

(Note that recipient is limited to certain healthcare facilities.)

Sources:

* Long-Term Care Spending by Source, 2012. Carol V. O'Shaughnessy, National Spending for Long-Term Services and Supports (LTSS), National Health Policy Forum, George Washington University. March 2017.

Long-term care insurance

Long-term care insurance is designed to help pay for the cost of long-term care services if you need them. It is not the same as health insurance, but it often works in conjunction with Medicare and private health insurance.

Why purchase long-term care insurance?

The escalating cost of long-term healthcare has made long-term care insurance an essential part of our financial and retirement planning. It helps:

- Protect your savings and income
- Avoid burdening family and friends
- Maintain flexibility in care options
- Preserve assets for your heirs

Coverage

Long-term care insurance covers:

- Skilled care – nursing and physical care, occupational, respiratory and speech therapy
- Cognitive impairments, such as Alzheimer’s disease
- Custodial care – help with ADLs

Long-term care insurance does not cover:

- A mental or nervous disorder or disease, other than Alzheimer’s disease or other dementia
- Treatment the government has provided in a government facility or already paid for
- Alcohol or drug addiction
- Attempted suicide or intentionally self-inflicted injuries
- Illness or injury caused by an act of war

Key considerations

- Elimination period – the number of days you must receive care before benefits are payable
- Waiver of premiums – stops the payment of premium while benefits from the policy are being received
- Benefit period – the amount of time your policy will continue to pay benefits following a claim
- Guaranteed renewability – ensures that an insurer cannot cancel your policy for any reason
- Daily benefit – maximum daily dollar amount that the policy will pay for expenses at the time of a claim
- Guarantees are backed by the claims-paying ability of the issuing insurance company

Keeping up with inflation

With the possible effect of inflation on the cost of long-term care, adding an inflation protection rider to your policy is a good option to consider.

These riders offer:

- Compound-interest increases
- Option to increase coverage without evidence of insurability
- Simple-interest increases

The cost of procrastination

So, when should you purchase long-term care insurance?
The earlier, the better.

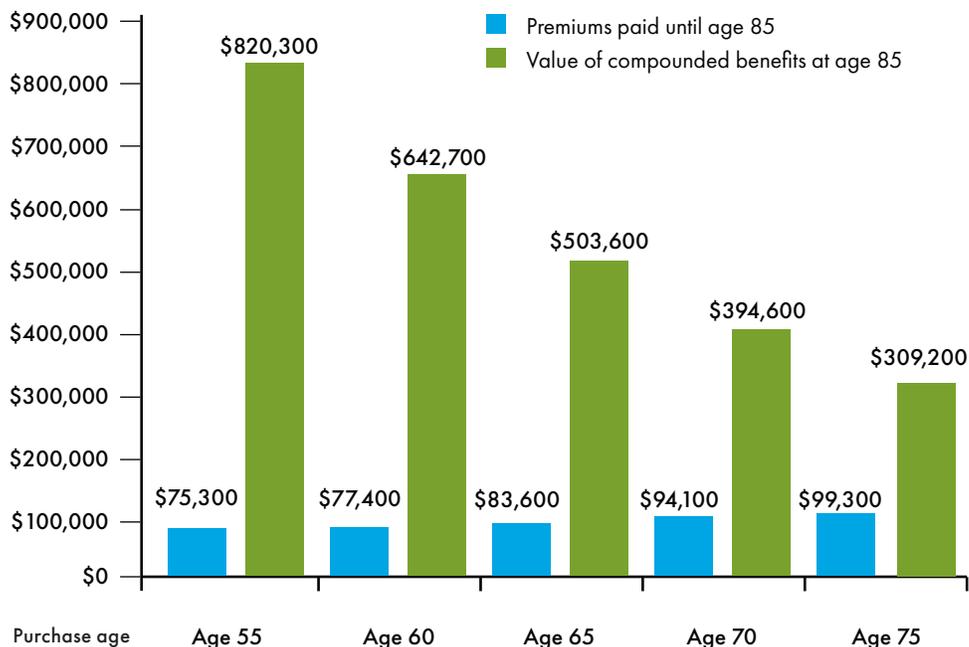
Facts about purchasing long-term care insurance

- Purchase when you are young and relatively healthy
- You may need to buy 5% more coverage each year you delay your purchase
- As you grow older, insurance companies charge more for the same level of coverage, up to 15%-75% more if your health deteriorates
- You may be uninsurable by the time you need it

Sources:
Skloff Financial Group. Long Term Care University – Question of the Month. Retrieved January 2017.

Waiting to purchase long-term care insurance

This graph is a hypothetical example that compares the total premium cost and value of insurance benefits if the insured purchased a long-term care insurance policy between the ages of 55 and 75. It assumes that premiums are paid annually until long-term care services are needed at age 85, and the value of the benefits compounds annually.



This is a hypothetical example that compares the total premium cost and value of insurance benefits if the insurer purchased a long-term care insurance policy between the ages of 55 and 75. It assumes that benefits increase at a compounded rate of 5% annually and premiums are paid annually until long-term care services are needed at age 85.

Source:
The Cost of Waiting to Buy Long-Term Care Insurance. Connecticut Partnership for Long-term Care. April 2013.

Help protect your independence and secure a healthy financial future

1. What are some of the reasons you would consider purchasing long-term care insurance?

- To preserve my assets for other expenses
- To leave most of my estate to a loved one
- To avoid relying on Medicare/Medicaid
- To have the freedom to choose my facility of care
- Other: _____

2. Personal health, lifestyle and family history can determine your need for long-term care. Do any of the following apply?

- Do you smoke?
- Do you have a health condition that may require prolonged treatment?
- Does your family have a tendency toward a long life expectancy?
- Is there a family history of dementia or Alzheimer's?

3. If you considered purchasing long-term care insurance, how much could you afford to pay in annual premiums?

- Less than \$500
- \$500 - \$1,000
- \$1,001 - \$5,000
- More than \$5,000

4. How do you plan to finance your annual premiums?

- Wages
- Savings (personal, retirement plan, etc.)
- Private investment (shares, bonds, etc.)
- Private pension
- Social Security benefits
- Family
- Other: _____

5. Other than need, what would be the main factor(s) influencing your choice of a long-term care insurance policy?

- Inflation rider
- Waiver of premiums
- Guaranteed renewability
- Other: _____

Take action!

Sound financial planning addresses the most important aspects of saving for retirement. Long-term care planning involves taking steps now to make sure you'll have in place most of what you need to take care of your needs as you get older. Let us help you develop a personal financial plan, as well as outline the action steps and strategies that will help you achieve your financial goals.

To schedule a complimentary consultation with a financial advisor, simply check "yes" on the evaluation form on page 12. Be sure to complete the entire evaluation and turn it in at the end of the workshop. We've provided an overview of items you'll need to bring with you to the consultation, as well as what you can expect from your financial advisor.

What you'll need

Once you've decided to work with a financial advisor, you'll need to bring certain documents to your first appointment. These documents are listed below. Don't delay your meeting if some items are not available. Bring what you have.

- Current retirement account statement
- Recent statements from other investments
- Social Security Statement of Benefits
- Insurance policies (recent statement or billing)
- List of assets and liabilities (credit cards, loans, etc.)
- Recent paycheck stub
- Household budget

What to expect

Your financial advisor can help you:

- Prioritize your investment goals.
- Determine the time horizon needed to achieve your goals.
- Determine a financial strategy toward meeting your goals.

VALIC is a leading provider of retirement plans and investment services*. Our longevity and wide range of investment options means that we've helped hundreds of thousands of people, just like you, plan for and enjoy retirement. Most importantly, through our experience, our goal is to help you live retirement on your terms.

* Source: LIMRA SRI Not-for-Profit Retirement Market Survey 12/31/2016. Based on total assets in a survey of 25 major companies.



Anyone can save for retirement. You just need the right plan.
And the right guidance. At VALIC, we can help you with both.

After downloading the QR reader to your smartphone, take a picture of or scan the image and the video will automatically begin downloading to your phone.

VALIC has more than half a century of experience helping Americans plan for and enjoy a secure retirement. We provide real solutions for real lives by consistently offering products and services that are innovative, simple to understand and easy to use. We take a personal approach to retirement plans and programs, offering customized solutions for individual needs.

We are committed to the same unchanging standard of one-on-one service we have delivered since our founding. Our goal is to help you live retirement on your terms.

Your Future is Calling. Meet It with Confidence.

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