



Michael J. Damon, CPA

## What Long-Term Care Costs Do Private Insurance and/or Medicare Cover?

Medicare and private health insurance cover many of the costs associated with healthcare, but they typically do not cover long-term care needs. For instance, when it comes to,

- ▶ **Nursing home care:** Typically, private health insurance plans do not pay for ongoing care in a nursing home. Medicare pays for intermittent stays in a nursing home, but not for ongoing care.
- ▶ **In-home healthcare:** Typically, private health insurance plans do not pay for ongoing care at home provided by a licensed home healthcare aide. Medicare does not pay ongoing care at home provided by a licensed home healthcare aide.
- ▶ **Medical devices:** Medicare pays for medical equipment, like wheelchairs, when they are prescribed as medically necessary by a health professional.

## Long-Term Care - Is it Part of Your Financial Plan?

The cost of long-term care is a topic many people prefer not to think too much about. You can't blame them. When long-term care is needed, the median cost ranges from \$45,760 per year (44 hours of care each week at home from a home healthcare aide) to \$91,250 per year (365 days in a private room at a nursing home).<sup>1</sup>



In a 2015 survey, *Long-Term Care in America: Americans' Outlook and Planning for Future Care*, 53% of respondents, who were age 40 or older, said they were likely to need long-term care in the future. Almost the same percentage (49%) thought friends or family members were likely to need similar care.<sup>1</sup> That was a big change from previous years. During 2013, 65% of those surveyed thought they were likely to need care, and 66% thought a friend or family member would.

It's curious that the numbers are dropping. The need for long-term care is expected to grow significantly in coming decades as the population of older Americans doubles and life expectancy increases by 20.6 years at age 65 and 8.5 years at age 85.<sup>2</sup>

Depending on how long they live, Americans could end up needing to generate retirement income for almost 30 years and cover long-term care costs for themselves or others. It's little wonder that few people want to think about it, or feel prepared to cover the expense.<sup>1</sup>

If you haven't already investigated long-term care insurance, it may be a good idea to give us a call to discuss your options. ■

Source: *Long-Term Care in America: Americans' Outlook and Planning for Future Care*, July 2015.

<sup>1</sup> The Associated Press-NORC Center for Public Affairs Research, *Long-Term Care in America: Americans' Outlook and Planning for Future Care*, July 2015.

<sup>2</sup> U.S. Census Bureau, *An Aging Nation: The Older Population in the United States*, May 2014.



## Is it a Good Idea to Pay Off the Mortgage?

It seems like a simple and straightforward question, but it is not. Deciding whether to pay off a mortgage is mathematically complex and, sometimes, emotional. If you're trying to decide whether it's better to put a little more money toward

your mortgage each month or take the money and invest it, here are a few of the things you should consider:

- **Anticipated market returns.** If you expect after-tax market returns to exceed the after-tax cost of borrowing, then it may make sense to invest the money. If you don't, then it may make sense to pay off your mortgage.<sup>3</sup>
- **Tax advantages.** Home mortgage interest is deductible if you itemize. During 2012, American homeowners saved about \$1,900 a year on average by claiming mortgage interest deductions.<sup>4</sup>
- **Peace of mind.** This is the emotional part of the equation. If you're heading into retirement, experts say that paying off a mortgage can reduce liabilities and give you greater control

over spending. That may make you less dependent on market performance, and limit potential for disruptions in your retirement plans.<sup>5</sup>

It's important to get professional advice before you make a decision about whether to pay off your mortgage. Talk with us before you take action. ■

### What Counts As Mortgage Interest?

For tax purposes, the interest you pay on a first mortgage is deductible, and that's not all. During 2014, interest paid on any loan secured by a first or second home was deductible. The list of possibilities included:

- A first mortgage
- A second mortgage
- A line of credit
- A home equity loan



Source: IRS Publication 936

<sup>3</sup> The Wall Street Journal, *How To Decide Whether To Pay Off Your Mortgage*, August 13, 2015.

<sup>4</sup> MarketWatch, *10 Homeowner Tax Breaks You Should Be Taking Advantage Of*, April 11, 2015.

<sup>5</sup> MarketWatch, *With Rates So Low, Should You Pay Off Your Mortgage?*, October 23, 2015.

