

# Nursing homes and major social change

By Tom Whitlock  
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The increased need and use of nursing homes is a reflection of fundamental social changes.

One obvious aspect of that change is that we are living longer and therefore have more need for this type of care.

Secondly, the extended family is much more extended geographically than it was, say, fifty years ago.

Those who can, retire in sunny retirement oriented areas like Arizona and Florida.



Meanwhile, many of the retirees' grown kids have scattered throughout the country.

These factors, among others, make it very difficult for a family to take care of its own as in generations past. Another reason for today's increased need of nursing homes.

Third and maybe most important, the senior age group has a sense of independence and pride and dignity. In many cases, seniors don't want to live with their kids even if that option is available to them.

For these reasons 43 percent of those over the age of 65 will spend some time in a nursing home with the percentage increasing with age. You basically have a 1 in 3 chance of staying in a nursing home.

While the average stay is 2 1/2 years, the median stay is 3 months. That means 50 percent of the time stays are less than 3 months and 50 percent more than 3 months.

The average cost is in the \$25,000 per year range and rising quickly with the higher demand.

This is critical information if you are evaluating your financial risk and developing a strategy to deal with it.

You are basically on your own to pay for nursing homes. Medi-

care pays only about 2 percent of the nation's nursing home costs.

If you are considering paying for it yourself, the median stay of 3 months would run about \$7,000 while the average stay of 2 1/2 years would cost about \$62,000. Of course, that's counting on the averages.

Keep in mind that nearly 50 percent of couples in a nursing home are impoverished after the first year.

You may wish to consider financial planning to protect the spouse's assets if only one of you would need nursing home care. This can be done through trust arrangements and/or strategies ownership of assets.

You probably have considered nursing home insurance. Although far from a perfect solution, you need to be aware of it.

Being relatively new coverage, these policies are in a state of evolution and are changing (for the better) almost daily.

They are quite expensive, but so are nursing homes. An average policy will cost up to 1 month's nursing home stay expense per year, or more.

Work with agents who know this insurance well because it is very complicated. And consider only large, top companies that have financial staying power.

If you are inclined to "spend down" your assets rather than pay for the insurance, you may want to give your kids the option to buy the coverage for you to protect their inheritance.

(Editor's note: Thomas D. Whitlock is a certified financial planner with Anchor National Financial Services. He advises retired persons on investment and retirement matters. Questions or comments about this article, contact him at 952-0259.)