

Shut your eyes and hope for the best: American attitudes toward Long-Term Care planning

A Sun Life Financial pulse poll

Summary

The following poll results suggest that many Americans age 50 and older have neither made plans to finance long-term care nor conveyed to family their strong preferences for how they would like to receive such care.

The intensity of such preferences underscores the need to plan for various long-term care scenarios, since an estimated 70%¹ of Americans over 65 will eventually need ongoing assistance with daily activities such as eating, bathing, and getting dressed.

Yet many Americans instead harbor a discomfort with aging and mortality, and experience wishful thinking about their chances of living independently in their final years. This mix of dread and hope has led to a counterproductive paralysis about long-term care planning, a state we call *shut your eyes and hope for the best*.

We hope this survey inspires more Americans age 50 and older to:

- inform themselves about their long-term care options,
- explore their needs and preferences under various circumstances, and
- develop a plan with family and advisors, which can help them achieve the best quality of life within their means, should they ever require long-term care.

Methodology

“Shut Your Eyes and Hope for the Best: American Attitudes Toward Long-Term Care Planning” is a Sun Life Financial retirement pulse poll conducted online by Kelton Research between May 26 and June 13, 2011. The poll surveyed two main groups of U.S. respondents age 50 and older:

The General Population (1,015 respondents across the wealth spectrum, with a margin of error of +/- 3.1%).

The Affluent (401 respondents with \$500,000 or more in investable assets, with a margin of error of +/- 4.9%).

A significant group of respondents refuse to estimate their chances of needing long-term care. And most of those who do think about it believe that they won't need it.

Despite refusing to imagine that they may well need assistance with daily activities in old age, many general population respondents still worry about financing long-term care.

Wishful thinking—few respondents think they'll need long-term care

A significant group of respondents refuse to estimate their chances of needing long-term care. And most of those who *do* ponder their chances believe that they won't need any assistance with daily living in their old age. The results below show that this complacency contradicts the odds.

Many general population respondents aren't willing to predict their chances of needing long-term care:

- Over half (54%) of the general population respondents say that projecting their chances of needing long-term care is currently impossible.

Of respondents willing to predict whether they will need long-term care, the majority seem overly optimistic compared to conservative projections:

- Only about one-third (36%) of general population respondents think they will in fact need long-term care. Yet estimates suggest that over two-thirds (70%) of people over age 65 will need long-term care.¹

Similarly, many affluent respondents aren't willing to predict their chances of needing long-term care:

- Mirroring the general population, over half of affluent respondents (54%) say that projecting their chances of needing long-term care is currently impossible.

Of those affluent respondents willing to predict whether they will need long-term care, the majority also seem overly optimistic, albeit less so than the general population:

- Only about four in ten (41%) affluent respondents willing to make a prediction think they will in fact need long term care. Yet estimates suggest that seven in ten people over age 65 will eventually need some type of assistance with daily living.¹

Long-term care worries

Despite refusing to imagine that they may well need assistance with daily activities in old age, many general population respondents still worry about financing long-term care.

General population respondents are concerned about financing long-term care:

- Over half (57%) of Americans age 50 and older worry about financing long-term care.
- A fifth (21%) of the 50+ crowd go so far as to name long-term care as their top retirement worry, even ahead of maintaining a satisfactory retirement lifestyle.

The older the respondent, the stronger the concern over funding long-term care:

- Roughly a quarter (27%) of general population Americans age 65 and older name long-term care as their top retirement worry.
- In contrast, only 16% of respondents aged 50–64 feel this way.

Many affluent respondents also worry about financing long-term care:

- Nearly six in ten (58%) affluent respondents worry about funding long-term care.
- Nearly two in ten (18%) affluent Americans go as far as to name long-term care as their top retirement worry, ahead of having a comfortable life in retirement.

Being unmarried or childless also is associated with strong concerns about long-term care, presumably because these respondents do not have family members who could care for them.

- Over one-third (34%) of single respondents age 50 or older say that paying for long-term care is their top retirement worry.
- In contrast, only 12% of married respondents say that long-term care is their top retirement worry.
- Nearly a third (28%) of Americans age 50 and older without children say that financing long-term care is their top retirement worry.
- In contrast, only about a fifth (18%) of those with children say that long-term care is their top retirement worry.

Having daughters seems to alleviate concerns over long-term care. But the connection only holds true for the affluent. Perhaps that's because some daughters of affluent respondents may have fewer professional obligations and thus more time to serve as family caregivers.

- A full quarter (26%) of affluent respondents who do *not* have daughters say that long-term care is their top retirement worry.
- Only one-tenth of affluent respondents who *have* daughters (11%) say that long-term care is their top worry in retirement.

Financial unpreparedness

Most respondents fail to grasp the scale of rising nursing home costs, conservatively projected to rise in 2030 by 123%.² Full-time nursing home care in the United States, currently averaging an estimated \$85,000 annually, may thus more than double by 2030.³

- The median general population respondent thinks that average nursing home costs will rise in 2030 by 56%, less than half the conservatively projected rate.
- The median affluent respondent thinks that average nursing home costs will rise in 2030 by 88%, also well under the projected rate.
- Nearly a fifth (18%) of general population respondents don't think that nursing home costs will rise at all.

Perhaps this underestimation of the rising cost of long-term care reflects a broader unpreparedness. Many Americans feel unprepared financially, lack a plan, and lack long-term care insurance.

Feeling unprepared

- Over four in five of general population respondents (84%) feel unprepared financially for long-term care.
- More than half (54%) of affluent respondents feel unprepared.

No long-term care plan

- The vast majority (89%) of general population respondents have not financed a long-term care plan.
- Over two-thirds (67%) of affluent respondents have not financed a plan.

No long-term care insurance

- Most general population respondents (86%) lack long-term care insurance.
- Roughly two-thirds (65%) of affluent respondents also lack long-term care insurance.

Given respondents' commonly held view of long-term care as a somber topic that might never pertain to them, it may come as no great surprise that many people age 50 and older have not planned for long-term care. But an astounding proportion of general population and affluent respondents don't think they should make plans to finance long term care at all.

- Four in ten (40%) general population respondents think they should never have a long-term care plan financed.
- Three in ten (31%) affluent respondents think they should never have a long-term care plan financed.

Most respondents fail to grasp the scale of rising nursing home costs, conservatively projected to rise in 2030 by 123%.²

An astounding proportion of general population and affluent respondents don't think they should make plans to finance long term care at all.

2. Given a hypothetical annual nursing home rate of \$80,000, the median respondent projected a rise of 56%, to \$125,000 in 2030, versus a rise of 123%, to \$178,000, assuming the 4.3% historical inflation rate of the Consumer Price Index's nursing home component.

3. The following estimates of average current and projected long-term care rates are based on the American Association for Long Term Care Sourcebook and long-term care components of the Consumer Price Index: Current annual nursing home rate for a private room: \$85,000. Projected annual rate by 2030: \$190,000. Current annual 24/7 in-home care rate: \$184,000 a year. Projected annual rate by 2030: \$272,000. Current 40 hr/wk in-home care rate: \$44,000. Projected 40 hr/wk in-home care rate by 2030: \$65,000.

Over a third (32%) of respondents with a partner would have to be *physically forced* to enter a facility if the partner lived in a different facility.

The vast majority (83%) of general population respondents would rather survive 5 years *at home* than survive 10 years *in a nursing home*.

Government assistance

Some respondents may not have developed a long-term care plan because they believe Medicaid or Medicare will cover them.⁴ However, for homeowners and people with over \$100,000 in assets, qualifying for Medicaid may require years of planning.

Medicaid will generally cover long-term care only for individuals who:

- own no more than roughly \$100,000 in liquid assets, and
- own a personal home worth no more than \$500,000 to \$750,000 in equity value.⁵

Any divestiture of assets over these limits must occur five years or more before the Medicaid effective date in order to meet the asset eligibility requirements.

Although Americans may not plan for long term care, they care deeply about it.

Although many respondents feel financially unprepared for long-term care, when asked, both general population and affluent respondents have heartfelt preferences for when and where they should receive such assistance.

- The vast majority (90%) of general population and affluent respondents would prefer to receive long-term care at home, if provided by a professional caregiver.
- Similarly, the vast majority (87% of general population and 85% of affluent) would prefer long-term care at home if provided by a family caregiver, assuming minimal burden.
- Nearly three in ten (28%) general population respondents prefer long-term care at home, even if the burden on a family caregiver is *high*.

The wish to receive long-term care *at home* often trumps even the wish *to live*.

- The vast majority (83%) of general population respondents would rather survive 5 years *at home* than survive 10 years *in a nursing home*.
- Three quarters (76%) of affluent respondents would rather survive 5 years at home than survive 10 years in a nursing home.

Couples also hold strong views about long-term care. Many respondents would strongly prefer to enter a facility only if their spouses also lived there. A significant proportion would strenuously resist entering a facility if their spouses lived elsewhere.

General population respondents oppose entering a facility *without* their partners:

- About four in ten (38%) general population respondents with a significant other would enter a facility, albeit reluctantly, if the partner lived in a different facility.
- However, a higher proportion, five in ten (51%) would strenuously oppose entering a facility if a partner lived in a different facility. Specifically:
 - Over a third (32%) of respondents with a partner would have to be *physically forced* to enter a facility if the partner lived in a different facility.
 - Nearly a fifth (19%) would rather die than enter a facility if the partner lived in a different facility.

Conversely, the willingness to enter a long-term care facility jumps dramatically if respondents could enter the *same facility* as the partner.

- Only one in ten (11%) general population respondents with a partner would willingly enter a nursing home if the partner lived in a different facility.
- Nearly five times that (59%) would willingly enter a facility if the partner lived in the *same facility*.

Many respondents also strongly oppose entering a facility if their partner lived independently. Affluent respondents mirror the pattern of general population respondents.

4. Medicare generally covers only a maximum of 100 days of long-term care.

5. The exact dollar limitation for a home value to qualify for Medicaid depends on state of residence.

An unfortunate secrecy

Despite such an array of strong preferences, many respondents who have decided where they want to receive long-term care have not consulted key family members or advisors. This reticence appears in both general population and affluent respondents.

A significant number of general population respondents remain silent about their long-term care preferences.

Of general population respondents who have decided where they want to receive long-term care:

- half (50%) of unmarried respondents have not discussed their long-term care wishes with anyone,
- even among married respondents, nearly four in ten (37%) have not discussed their wishes with their partner, and nearly three in ten (27%) have not discussed their wishes with anyone, and
- over half (58%) of those with children aged 18+ have not discussed their wishes with their kids.

Resembling the general population, a surprising number of affluent respondents have not shared their long-term care wishes with key family members:

- Over half (58%) of unmarried affluent respondents have not discussed their wishes with anyone.
- Even among married affluent respondents, roughly a third (28%) have not discussed their wishes with their partner, while almost a quarter (23%) have not discussed their wishes with anyone.
- Nearly two-thirds (63%) of affluent respondents with children aged 18+ have not discussed their wishes with their kids.

Avoiding an unpleasant subject with kin

Many respondents say they feel uncomfortable discussing long-term care with family because it's a somber issue. Others remain silent because they don't want to burden loved ones with a need they may never have.

Of those general population respondents who have decided where they want to receive long-term care but have not discussed their wishes with their significant other:

- Over a third (33%) say they have not discussed long-term care wishes because it's uncomfortable to talk about the subject of serious illness or death.
- Another third (31%) say they don't want to burden their partner before knowing whether they will need long term care.

Affluent respondents roughly parallel these results.

Avoiding an unpleasant subject with advisors

This overall discomfort with aging and mortality may help explain more broadly why many Americans have not made a more focused effort to plan for long-term care.

General population respondents don't discuss long-term care with advisors:

- The vast majority (95%) of general population respondents have not discussed their wishes with a financial advisor.
- Forty-two percent have not discussed the issue with a financial advisor because they don't have a financial advisor in the first place.
- Most respondents (96%) have not discussed the issue with a legal advisor.

Even most affluent respondents don't discuss long-term care with professional counsel.

Resembling the general population, a surprising number of affluent respondents have not shared their long-term care wishes with key family members.

An overall discomfort with aging and mortality may help explain more broadly why many Americans have not made a more focused effort to plan for long-term care.

Few affluent respondents discuss long-term care with advisors:

- Eighty-five percent have not discussed long term care with a financial advisor.
- Ninety-two percent have not discussed their wishes with a legal advisor.

Why affluent respondents don't discuss long-term care with financial advisors:

Surprisingly, one quarter (24%) of affluent respondents who have not discussed their long-term care decision with a financial advisor don't have an advisor in the first place. For those who do have one, the most common reason for not discussing long-term care is their advisors' lack of expertise in this area.

Of affluent respondents who have not talked to their advisors about long-term care:

- nearly half (46%) say long-term care lies outside their financial advisor's expertise,
- roughly a quarter (26%) say they don't want to allocate resources to long-term care now, and
- over a fifth (22%) say it's a confidential issue.

For more information, please contact Tim Stone at tim.stone@sunlife.com or to view the press release, visit the *media center* at www.sunlife.com/us.



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