

## Why Long-Term Care Planning Matters to Your Client's Financial and Estate Plan

An effective plan for the future goes far beyond controlling and directing asset transfers at death. When structured properly, an estate plan also protects against incapacity during life, ensuring that a client's medical and financial affairs can be managed without court intervention.

**But one risk that many estate plans overlook is the potential need for long-term care (LTC).** Long-term care is not a hypothetical risk; it is a predictable financial challenge that can upend a carefully crafted estate plan, drain savings, and place immense strain on families.

Unfortunately, clients often assume that they will not need care, and advisors frequently delay planning until a health crisis strikes. Treating the need for long-term care solely as an unlikely health risk rather than a predictable financial and estate planning vulnerability leaves plans dangerously exposed, potentially compromising assets and long-term objectives, even if the client regains their health.

### Understanding Long-Term Care

To appreciate the risk that long-term care poses to an estate plan, it is helpful to review a few key considerations that may not have been fully addressed or considered with your clients.

#### What Is Long-Term Care?

Long-term care differs from standard incapacity planning because it is not necessarily tied to catastrophic injury, terminal illness, or total cognitive or physical loss. Instead, LTC addresses functional dependency and the inability to perform basic *activities of daily living (ADLs)*, including bathing, dressing, and moving safely from place to place. It typically encompasses the following types of care:

- In-home care
- Assisted living
- Memory care
- Skilled nursing facilities

The National Institute on Aging defines LTC as services designed to meet a person's health or personal care needs when they can no longer independently perform everyday tasks.<sup>1</sup>

Unlike short-term rehabilitation, LTC is generally custodial, focused on sustained assistance that may last months or years.

**That distinction has important financial implications: Medicare generally does not cover long-term custodial care.**<sup>2</sup> While it may pay for limited, short-term skilled nursing or rehabilitation following hospitalization, ongoing support for ADLs typically falls to clients, their families, or private insurance.

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<sup>1</sup> *What Is Long-Term Care?*, NIH Nat'l Inst. on Aging (Oct. 12, 2023), <https://www.nia.nih.gov/health/long-term-care/what-long-term-care>.

<sup>2</sup> *Long-Term Care*, Medicare.gov, <https://www.medicare.gov/coverage/long-term-care> (last visited Mar. 30, 2026).

## Who Typically Needs Long-Term Care?

According to the National Institutes of Health, the need for LTC can arise suddenly, such as after a heart attack or stroke, but more often develops gradually with age.<sup>3</sup> While the exact timing and level of care that will be needed are difficult to precisely predict, the following underlying causes are relatively common and generally more foreseeable:

- Age-related frailty and declining mobility
- Cognitive impairment, including Alzheimer's disease or other forms of dementia
- Stroke and neurological conditions such as Parkinson's disease
- Chronic illnesses such as diabetes or heart disease
- Injuries resulting in long-term functional limitations

As life expectancy increases, so does the likelihood of requiring care.

**The U.S. Department of Health and Human Services estimates that nearly 70 percent of individuals turning age 65 today will need some form of long-term care during their remaining years.<sup>4</sup>**

Women are more likely to require care for longer periods due to longer life expectancy—a factor that has implications for retirement and estate planning.

## How Long Does Long-Term Care Normally Last?

Long-term care is not always permanent, but it is often prolonged. The average duration for individuals needing care is approximately three years.<sup>5</sup> However, averages can obscure the more significant risk: **Roughly one in five individuals requiring care will need it for five years or longer.<sup>6</sup>**

From an advisory standpoint, duration matters. A short-term rehabilitation stay is one scenario, but a multiyear period of dependency—especially when it coincides with retirement withdrawals or limited income—can have material implications for both cash flow and estate planning.

## What Does Long-Term Care Cost?

Costs vary by region and level of care, but national median estimates provide perspective<sup>7</sup>:

- The **annual national median cost of a semiprivate nursing home room** is about **\$114,975**; a **private room** is about **\$129,575**.
- **Assisted living community care** averages roughly **\$74,400 per year**.
- Home-based care such as a **home health aide** runs around **\$35 per hour** nationally.

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<sup>3</sup> *What Is Long-Term Care?*, *supra* note 1.

<sup>4</sup> *How Much Care Will You Need?*, LongTermCare.gov (Feb. 18, 2020), <https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>.

<sup>5</sup> *Id.*

<sup>6</sup> Stephanie Stearns, *How Long Does the Average Person Need Long-Term Care?*, Nw. Mut. (Aug. 28, 2024), <https://www.northwesternmutual.com/life-and-money/how-long-does-the-average-person-need-long-term-care>.

<sup>7</sup> *Calculate the Cost of Long-Term Care Near You*, CareScout, <https://www.carescout.com/cost-of-care> (last visited Mar. 30, 2026).

These figures represent median costs at typical facilities and do not account for inflation, specialized memory care, or ancillary medical expenses. In higher-cost states such as California, rates can be significantly above the national median.<sup>8</sup>

**Care costs continue to rise rapidly as labor costs and demand grow.** For example, assisted living costs increased about 10 percent compared with the last year surveyed.<sup>9</sup> Even modest annual increases can compound significantly over multiyear stays.

### How Can Costs Affect Savings?

Long-term care can have a significant impact on a client's financial plan. Even a few years of private-pay care can redirect assets toward care expenses, potentially reducing funds available for retirement income, lifestyle goals, or legacy planning.

To put this in perspective:

- Nursing home care can easily cost hundreds of thousands of dollars over several years.
- Assisted living or graduated care facilities can be expensive and can consume a material portion of savings.

For many retirees, savings are intended to fund ongoing living expenses, supplement Social Security, and ultimately pass to heirs. Extended LTC expenses can quickly divert these assets, creating risk to both retirement and estate planning objectives.<sup>10</sup>

### Why Traditional Estate Plans Do Not Address LTC Risk

Most estate plans are structured to achieve the following goals:

- Facilitate and direct asset transfers at death
- Minimize certain taxes
- Provide authority for medical and financial decisions during incapacity

However, these tools often assume that assets remain largely intact until death. LTC can introduce a lifetime risk that can quickly erode or deplete those assets, and standard estate planning documents are often not enough.

- **Wills.** Take effect only at death and provide no protection against LTC costs during life
- **Revocable living trusts.** Centralize asset management and avoid probate, but assets remain exposed to private-pay long-term care expenses
- **Durable powers of attorney.** Grant decision-making authority but do not shield assets from care costs

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<sup>8</sup> *Long-Term Care Costs Increase in California, Exceeding National Costs*, Nasdaq (Mar. 4, 2025), <https://www.nasdaq.com/press-release/long-term-care-costs-increase-california-exceeding-national-costs-2025-03-04>.

<sup>9</sup> *Genworth and CareScout Release Cost of Care Survey Results for 2024*, BusinessWire (Mar. 4, 2025), <https://www.businesswire.com/news/home/20250301584443/en/Genworth-and-CareScout-Release-Cost-of-Care-Survey-Results-for-2024>.

<sup>10</sup> Lillian Kafka, *Average Retirement Savings by Age: How Do You Compare?*, Transamerica (Oct. 7, 2025), <https://www.transamerica.com/knowledge-place/average-retirement-savings-age-how-do-you-compare>.

Even a well-constructed estate plan can be compromised if long-term care is not addressed. For advisors, the implication is clear: Integrating LTC planning into the broader estate and financial plan is essential to help clients preserve assets, protect spousal income, and maintain legacy intentions.