

Strategies to Help Clients Protect Their Assets If Long-Term Care Is Needed

Long-term care needs can introduce significant risk to a client's estate and financial plan. Advisors should take a layered approach, integrating strategies that address private-pay options and potential public benefits while preserving client objectives.

Not all long-term care risks or planning needs are the same, so asset protection strategies must be evaluated in the context of a client's health, family, and broader estate, financial, and legacy goals while maintaining flexibility to navigate the uncertainties of long-term care and the current economic environment.

What Are the Goals of Long-Term Care Planning?

The effectiveness of a long-term care (LTC) plan is measured by how well it achieves the client's objectives. Advisors typically have the following key goals:

- **Protect a spouse's standard of living.** Ensure that one partner's long-term financial security is not compromised by the other's long-term care needs
- **Preserve legacy intentions for heirs.** Help clients maintain intergenerational wealth and fulfill estate planning objectives despite potential long-term care expenses
- **Maintain care choices and independence.** Equip clients with the financial flexibility to dictate the terms, setting, and style of their care, ensuring that their independence remains intact
- **Integrate LTC planning with retirement and investment strategy.** Consider LTC risk alongside asset allocation, withdrawal strategies, and broader financial goals
- **Minimize reliance on family.** Reduce the financial, emotional, and logistical burden on family members by planning proactively

What Are the Main LTC Planning Strategies?

Planning for long-term care requires creating a clear strategy to protect a client's savings from the high costs of in-home help, assisted living, or nursing homes. While some steps may look similar to setting up a standard will or trust, planning for long-term care demands a distinct focus. Advisors and clients must separately evaluate these risks and choose specific solutions to ensure ongoing financial security.

Transfer Private Risks to Policies

Traditional long-term care insurance (LTCI) and hybrid life policies allow clients to shift the heavy burden of care costs away from their personal savings. By transferring this risk to an insurance company, clients gain a dedicated safety net and enjoy the following key benefits:

- Shielding retirement funds and investment accounts from sudden, forced sales
- Securing a pool of money for care that often far exceeds the premiums paid
- Establishing a predictable and reliable source of funding during an extended health event

However, LTCI is not a universal solution. Underwriting requirements, premium stability, long-term affordability, and policy structure must all be carefully evaluated. For clients who qualify

and are able to afford premiums, these policies can meaningfully reduce asset exposure and serve as a key layer in a broader LTC planning strategy.

Self-Funding and Asset Management

Some clients elect to self-fund long-term care costs, which requires intentional asset positioning and coordination across the financial plan. Key considerations include the following:

- **Designating LTC reserves.** Set aside specific savings or brokerage accounts to cover potential care expenses
- **Evaluating retirement account withdrawals.** Sequence distributions to maintain liquidity and tax efficiency
- **Maintaining sufficient liquidity.** Ensure that clients can fund care without forced or ill-timed asset sales

Paying for care out of pocket is a strong option for clients who possess enough wealth to sustain multiple years of large expenses without putting their retirement lifestyle or family legacy at risk. To correctly execute this strategy, the advisory team must carefully align the client's estate plan with their investment choices and expected income streams.

Public Benefits Planning

While Medicaid is the primary funding source for extended care, strict financial limits often force individuals to spend down their life savings before receiving help. By integrating public benefits into an overall financial strategy early, advisors can help clients secure necessary care while shielding private wealth. Important planning considerations include the following:

- Understanding exact financial limits and the strict timeline the government uses to review past financial gifts
- Restructuring wealth to seamlessly align with federal and state rules for asset transfers
- Utilizing specific regulations designed to protect the financial well-being of a healthy spouse

Proactively addressing these public benefit rules is essential. Reactive planning during a medical emergency severely limits the choices available to clients and creates significant financial vulnerability.

Asset Protection Structures

Irrevocable trusts and other asset protection strategies can insulate assets from potential long-term care spend-down, but they generally must be implemented well in advance.

Where appropriate, advisors may focus on the following:

- **Proactive funding.** Transferring assets into secure trusts well before an individual requires daily assistance
- **Strategic structuring.** Designing the trust to align perfectly with the strict eligibility guidelines of public benefit programs such as Medicaid

- **Agent alignment.** Coordinating financial power of attorney documents with the trust so that trusted agents can manage the protected funds safely and legally without breaking the protective seal of the trust

Effective asset protection planning requires early implementation and careful coordination. Timing is critical, and late-stage planning significantly limits available options and reduces planning flexibility.

Family Coordination

Long-term care often involves family coordination, whether for caregiving, decision-making, or managing eligibility for public benefits.¹ Even if a spend-down is not sought and care funding remains private, LTC affects more than just the recipient. Advisors can help families prepare for long-term care in the following ways:

- **Confirm decision-making authority.** Ensure that all family members know exactly who is designated to make medical and financial decisions if the client becomes incapacitated.
- **Define caregiving roles.** Clearly establish who will provide hands-on, day-to-day support versus who will handle administrative tasks such as coordinating services.
- **Communicate expectations.** The client should openly discuss their care preferences and funding strategies so that everyone understands the overarching plan and their potential responsibilities.

Even the best financial and care strategies can falter if families are not on the same page. Proactive planning and coordination reduces uncertainty, minimizes conflict, and helps ensure that long-term plans work smoothly if and when care becomes necessary.

Right-Sizing LTC Planning

These long-term care strategies must be balanced with liquidity needs, control considerations, and overall estate planning objectives. Because LTC risk varies by client, each plan should be tailored to individual circumstances.

The broader picture can change over time as health, markets, or family circumstances shift. While plans may not need to be rebuilt from scratch, they may require periodic adjustments to maintain existing protections or implement new strategies.

When integrated early and reviewed regularly, LTC planning becomes a stabilizing element in a client's estate plan, turning what could be a potentially disruptive risk into a manageable component of long-term wealth and legacy planning rather than a last-minute response to crisis.

¹ *Common Caregiving Problems*, Am. Psych. Ass'n (June 2020), <https://www.apa.org/pi/about/publications/caregivers/practice-settings/common-problems>.