



SOCIETY OF ACTUARIES

Managing the Impact of Long-Term Care Needs and
Expense on Retirement Security Monograph

The Impact of Long-Term Care Costs on Retirement Wealth Needs

By Vickie Bajtelsmit and Anna Rappaport

Copyright 2014 by the Society of Actuaries.

All rights reserved by the Society of Actuaries. Permission is granted to make brief excerpts for a published review. Permission is also granted to make limited numbers of copies of items in this monograph for personal, internal, classroom or other instructional use, on condition that the foregoing copyright notice is used so as to give reasonable notice of the Society's copyright. This consent for free limited copying without prior consent of the Society does not extend to making copies for general distribution, for advertising or promotional purposes, for inclusion in new collective works or for resale.

The Impact of Long-Term Care Costs on Retirement Wealth Needs

Vickie Bajtelsmit and Anna Rappaport

ABSTRACT

This paper provides an overview of the risks and costs of long-term care (LTC), including a discussion of who bears the risk, and the advantages and disadvantages of various funding mechanisms for long-term support and services. A summary of recent simulation studies provides evidence regarding the size of the risk and the impact on household financial well-being. We conclude that advance planning for LTC risk is critical for low- to middle-income households. For other than the wealthiest households, the cost at the retirement date of any LTC financing strategy will likely be prohibitive and may deplete household emergency funds. For those with greater wealth and income, paying for LTC costs as they are incurred may be a workable option.