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

## **Home Equity: A Strategic Resource for Long-Term Services and Supports**

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# Home Equity: A Strategic Resource for Long-Term Services and Supports

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## Abstract

In the wake of the Great Recession, the financial decisions older Americans make will affect their ability to continue to live independently. This is especially true for housing wealth. Will homeowners use this asset to help them pay for assistance as they grow older? Or will they quickly exhaust this resource paying for everyday expenses or leisure activities? With Medicaid as the only safety net for people with disabilities and chronic conditions, there is a lot at stake in this evolving economic behavior.

The house is a unique and complex asset that serves as both a place to live and as a store of wealth. It is also becoming the primary setting for the delivery of health care and long-term services and supports (LTSS) in later life. Until recently, however, there has been little discussion about using home equity to pay for LTSS beyond reverse mortgages. This paper examines the diverse body of economic and social research on the magnitude, timing, and motivations for decumulating housing wealth in retirement to pay for LTSS. The aim is to provide a more nuanced framework for incorporating housing wealth in efforts to support older people and family caregivers. The study also reviews new data that show how the use of home equity could change in response to the economic and social pressures of our aging society.

Results of this analysis suggest that home equity is already an important part of the LTSS financing mix. Many older homeowners today save this asset until late in life, to self-insure against the high cost of nursing home care. Looking ahead, increasing economic insecurity and the aging of the boomer generation could cause rapid shifts in the use of housing wealth that could reduce the availability of this asset for LTSS. There is also evidence that boomers are receptive to the idea of using home equity sooner to pay for everyday expenses and health-related costs in retirement. Encouraging such timely use of housing wealth for shorter-term LTSS planning could support aging in community and supplement insurance-based mechanisms that primarily provide protection against catastrophic expenses.

It is becoming increasingly important to consider LTSS financing from the standpoint of private resources as well as government programs. This study will help to fill the gaps by examining a wide array of evidence on the liquidation of home equity for LTSS. The analysis starts by examining national expenditures for LTSS.