

When Planning Software Falls Short: Rethinking Long-Term Care Assumptions

Most financial planning software uses national, **median long-term care (LTC) costs** to model future expenses. While that may be adequate for broad planning, it creates a **critical blind spot** when advising high-net-worth individuals and families for a simple reason:

They are unlikely to choose “median” care.

What Does “Median” Really Get You?

The numbers from sources like the Genworth Cost of Care Survey are based on *median monthly rates*—meaning half of available care options cost more. They also represent **national averages**, which may be drastically lower than the costs in major metropolitan areas where many affluent clients live.

Worse yet, these “typical” prices often exclude common **add-ons** like:

- Memory care services
- Private rooms or private aides
- Medication management
- Concierge-level attention
- High-end or brand-name senior living communities

Even a seemingly standard assisted living community may carry unexpected fees for every layer of individualized attention—and **those costs add up quickly**.

LTC Costs Are Inflating Rapidly

If today’s costs are already misaligned with client expectations, **inflation is pushing them even further out of reach**. According to recent industry data:

- **Homemaker services** rose more than **10%** in the past year¹.
- **Assisted living facility costs** increased by over ****10%**²**.
- **Nursing home rates** saw year-over-year increases of **5% or more³**.

These are **annual increases**—compounding over time—and they don’t include memory care surcharges or other specialized service fees.

Why This Matters for High-Net-Worth Clients

Wealthier clients are less likely to tolerate shared rooms, institutional environments, or bare-bones care. For someone used to concierge healthcare and first-class travel, living in a median-rate facility with basic accommodations is often unthinkable.

The real risk isn't just cost—it's **lifestyle disruption**.

Even large portfolios can feel the drag of an extended cognitive care event requiring \$20,000–\$30,000 per month in luxury-level private nursing or 24/7 in-home support.

Long-Term Care Insurance: Not Just for Middle America

When thoughtfully designed, LTC insurance (including asset-based or hybrid models) can:

- Provide **leverage** on premium dollars
- Protect the **liquidity** of an investment portfolio
- Preserve **dignity and choice** in care
- Create **tax-free access** to funds for qualified care needs

Planning for longevity isn't just about life expectancy—it's about ensuring that care aligns with the standard of living your clients have spent a lifetime building.

Helpful Modeling Ideas to Illustrate the Impact of Long-Term Care

When discussing long-term care planning with clients—especially those who are affluent—it can be useful to present a range of scenarios that reflect both average and extended care needs. Here are a few modeling approaches that can bring clarity to the conversation:

- **Start with a “no-claim” scenario:**
Model what it looks like if the client purchases long-term care insurance at the **average purchase age of 57** but **never uses it**. This helps demonstrate that the **downside risk is relatively minimal**, especially compared to the potential financial strain of needing care without coverage.

- **Show an average care scenario:**

Use care cost data specific to the **client's zip code or preferred location**—not national averages. Then apply the Department of Health and Human Services' statistics: **2.3 years of care for men, 3.7 years for women**. This sets a realistic baseline based on typical outcomes.

- **Explore an extended care event for one spouse:**

Model what happens if one spouse experiences a **10-year cognitive decline** requiring full-time care (e.g., dementia or Parkinson's), while the other spouse maintains normal withdrawals for living expenses. This reflects a situation many families have encountered and can reveal stress points in the plan.

- **Layer in a “both need care” scenario:**

For a more comprehensive stress test, show what the impact might be if **both spouses** eventually require a **10-year cognitive decline** requiring full-time care (e.g., dementia or Parkinson's). This may help visualize a “worst case scenario.”

Tip: Be cautious with standard COLA assumptions. Given persistent caregiver shortages and five consecutive years of elevated care inflation, historical inflation assumptions may understate future costs—particularly in high-demand markets.

Bottom line:

For high-net-worth clients, **median cost assumptions can dangerously underestimate the real impact of care**. In today's inflationary environment, it's not enough to plan for *some* care—you have to plan for *the kind of care your client would actually choose*.

1 McKnight's Senior Living. “Genworth: Homemaker Services Saw Largest Cost Increase in 2023.” *McKnight's Senior Living*, 12 Oct. 2023, www.mcknightsseniorliving.com/home/news/genworth-homemaker-services-saw-largest-cost-increase-in-2023/.

2 Rae, Matthew, et al. “Health Care Price Increases Continue to Accelerate.” *Peterson-KFF Health System Tracker*, 18 July 2023, www.healthsystemtracker.org/brief/health-care-price-increases-continue-to-accelerate/.

3 Bureau of Labor Statistics. “Consumer Price Index – Long-Term Care Services Inflation Summary.” *U.S. Department of Labor*, Apr. 2024, www.bls.gov/news.release/pdf/cpi.pdf.