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The Caregiver's Guide to Disability and LTC Planning

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Women often become the default caregivers in a family: for children, aging parents, spouses, or loved ones facing illness. The emotional toll is obvious. The financial consequences are often quieter and can compound over time. Reduced work hours, career interruptions, missed retirement contributions, increased out-of-pocket expenses, and emotional burnout affecting long-term decision-making can quietly create long-term impact on financial security.

When a health event forces someone to stop working or require ongoing care, two potentially valuable forms of protection are...

- Disability Income Protection Insurance
- Long-Term Care Insurance

While they serve different purposes, both are designed to help protect income, preserve flexibility, and reduce financial strain during periods of health-related disruption. Understanding these tools can help families prepare before decisions become urgent.

DISABILITY INSURANCE

The ability to earn an income is one of your largest financial assets.

Disability insurance helps replace a portion of income if illness or injury prevents someone from working. Many people associate disability with catastrophic accidents, but common claims often involve cancer, autoimmune conditions, mental health conditions, pregnancy complications, and chronic illness.

Disability insurance is designed to help cover mortgage/rent, household bills, childcare, everyday living expenses and most importantly, medical costs.

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Do you know?

- Most group disability plans do not increase benefits for inflation while you're on claim.
- Disability insurance generally replaces a percentage of earned income (often around 50% – 70%, depending on the plan).
- If your employer provides this coverage at no cost to you, the benefits you receive are taxed as ordinary income.
- Disability benefits affect health insurance eligibility. You may need to elect COBRA coverage to maintain your health insurance.
- Out-of-pocket medical expenses are not covered by health insurance.

KEY DISABILITY INSURANCE TERMS TO UNDERSTAND

- **Elimination Period:** The waiting period before benefits begin
- **Benefit Period:** How long benefits will continue once approved
- **Own Occupation vs. Any Occupation:** Some policies pay benefits if you cannot perform your *own* specific profession, while others require inability to work in *any* occupation.

LONG-TERM CARE INSURANCE

Long Term Care, also known as 'Extended Care', is a variety of services and support provided to an individual who is no longer able to care for oneself independently.

- Most support is non-skilled personal care assistance, such as help performing activities of daily living.
- To better understand extended care, think of the activities that you performed when you woke up this morning (otherwise known as Activities of Daily Living or ADL's).
    - Climbed out of bed (Transferring)
    - Used the bath or shower (Bathing)
    - Walked to the bathroom (Continence)
    - Used the toilet (Toileting)
    - Got dressed (Dressing)
    - Ate Breakfast (Eating)
- Cognitive Impairment, Alzheimer's and Dementia are examples of a stand-alone trigger of benefits.

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WHERE ARE LONG-TERM CARE SERVICES PROVIDED?

- At home
- In various facilities that assist people with long-term care needs – for example, assisted living facilities, residential care facilities and residential care facilities for the elderly
- In community settings, such as adult day care centers
- In nursing homes/nursing facilities
- In hospice home-care programs or facilities

THE FACTS ABOUT EXTENDED CARE

- 68% of people turning age 65 can expect to use some form of long-term care during their lives
- Of those who do require care, 20% will need it for longer than 5 years
- Average duration of claim is 3.8 years
- Where claims are being paid
    - 64% claims are for homecare
    - 19% claims are for assisted living
    - 17% claims are for nursing homes

WHAT FEATURES SHOULD I CONSIDER WHEN CONSIDERING LONG-TERM CARE INSURANCE?

- **Benefit Pool** – Maximum dollar amount available over the lifetime of the policy.
- **Monthly Benefit** – This is the amount the policy will pay out per month.
- **Benefit Period** – Most insurance companies offer a range from two to eight years.
- **Elimination Period** – Some carriers have a zero day wait versus 90 days.
- **Inflation Coverage** – This feature is critical if your coverage is to keep pace with rising costs. The inflation benefit assures that your policy will hold its value over time.
- **Cash Indemnity Plans** – This plan provides a monthly check for the maximum amount of LTC benefit you qualify for, even if your expenses are less or you are not paying a caregiver, because it is not based on actual expenses incurred. No bills, receipts or any type of monthly paperwork is required.
- **Reimbursement Plans** – This plan will only cover LTC specific charges, and you (or registered nurse and /or facility) will only be reimbursed for the exact amount of qualifying expenses up to the maximum benefit amount.

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WHY DO PEOPLE CONSIDER LONG-TERM CARE INSURANCE?

- To help preserve future independence
- To help avoid depending on family or friends
- To help avoid using retirement savings or personal assets to pay for long-term care
- To help maintain options as to how and where to receive care
- Medicare only pays for a medically necessary skilled nursing facility in certain situations
- Medicaid requires "spending down" of personal assets

QUESTIONS TO CONSIDER

- Have you seen a parent or grandparent go through a care situation?
- What does your ideal version of aging look like?
- Do you know what care costs in your area today?
- If you needed care for three years where would the money come from?
- Would you prefer to protect your existing assets or fund a dedicated benefit?

WHAT FAMILIES SHOULD KNOW BEFORE A CRISIS

In many families, the financial and logistical details surrounding insurance remain unclear until a health event occurs. Preparing ahead of time can help reduce stress and delays during a crisis.

Families should know:

- Where insurance policies are stored (or at least a current statement)
- Who to contact to file a claim (Insurance carrier and/or Insurance advisor)
- Whether benefits are employer-provided or privately owned
- Who has legal authority to make decisions
- How care expenses would be paid while claims are processed
- Who are the physicians involved

Important documents may include:

- Durable Power of Attorney
- Healthcare Proxy

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- HIPAA Authorization Forms
- Employer benefits information
- Insurance policy details and login credentials

Families should gather:

- Monthly income sources
- Existing assets
- Healthcare expenses
- Debt obligations
- Legal documents

A review of government benefit eligibility is also important. Depending on financial circumstances, resources may include Medicare, Medicaid, Veterans benefits, state caregiver support programs, and local elder services organizations. Many wait too long to explore these programs because they assume they will not qualify.

Organization is key to having a realistic financial picture, which in turn helps families make better decisions under pressure.

SUPPORTING LOVED ONES STARTS WITH PREPARATION

Caregiving is often framed as a personal responsibility or emotional obligation, but it is also a financial event. Disability insurance can help protect income during working years. Long-term care insurance can help preserve flexibility, independence, and family resources later in life. Neither policy eliminates the emotional realities of caregiving. But thoughtful preparation may help families avoid turning a health crisis into a financial one as well.

No matter the circumstances, it's always a great idea to get in touch with the professionals who work with the individual requiring care – their insurance advisor, financial advisor, estate attorney, and accountant. And if you have additional questions about insurance options specifically, you can always reach out to our in-house experts at Grimes Wealth Protection.

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