

# Understanding Extended Care

Addressing the potential risks of extended-term care expenses may be one of the biggest financial challenges for individuals who are developing a retirement strategy.

Seven in ten people over age 65 can expect to need extended care services at some point in their lives. So understanding the various types of extended care services – and what those services may cost – is critical as you consider your retirement approach.<sup>1</sup>

## What Is Extended Care?

Extended care is not a single activity. It refers to a variety of medical and non-medical services needed by those who have a chronic illness or disability – most commonly associated with aging.

Extended care can include everything from assistance with activities of daily living – help dressing, bathing, using the bathroom, or even driving to the store – to more intensive therapeutic and medical care requiring the services of skilled medical personnel.

Extended care may be provided at home, at a community center, in an assisted living facility, or in a skilled nursing home. And extended care is not exclusively for the elderly; it is possible to need extended care at any age.

## How Much Does Extended Care Cost?

Extended care costs vary state by state and region by region. The 2024 national average for care in a skilled care facility (single occupancy in a nursing home) was \$120,304 a year. The national average for care in an assisted living center (single occupancy) was \$66,126 a year. Home health aides cost a median of \$34 per hour, but that rate may increase when a licensed nurse is required.<sup>1</sup>

## What Are the Payment Choices?

Often, extended care is provided by family and friends. Providing care can be a burden, however, and the need for assistance tends to increase with age.<sup>2</sup>

Individuals who would rather not burden their family and friends have two main choices for covering the cost of extended care: they can choose to self-insure or they can purchase extended care insurance.

Many self-insure by default – simply because they haven't made other arrangements. Those who self-insure may depend on personal savings and investments to fund any extended care needs. The other approach is to consider purchasing extended care insurance, which can cover all levels of care, from skilled care to custodial care to in-home assistance.

When it comes to addressing your extended care needs, many look to select a strategy that may help them protect assets, preserve dignity, and maintain independence. If those concepts are important to you, consider your approach to extended care.

1. GenWorth.com, 2024
2. ACL.gov, 2024

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