

RETIREMENT

How to Pay for Long-Term Care

Most people will need long-term care at some point, but insurance can be pricey. Here's a guide to covering all of your expenses.



Chances are you will need some form of long-term care (LTC) during your lifetime — unless you are one of the lucky people who stay physically fit, retaining their health and mobility. The most recent (2024) report by the AARP estimated that more than half, or 56% of people turning 65 between 2021 and 2025, needed LTC.

Yet most adults haven't taken any steps to prepare for LTC when planning their retirement. The number of people in long-term care facilities — assisted living, memory care, nursing homes — is expected to grow by over 75% to 2.3 million residents by 2030, according to the [National Center for Health Statistics](#).

A 2022 AARP report shows that only about 33% of middle-income baby boomers have a plan for long-term care, despite nearly 70% of Americans aged 65 and older likely needing it.

These numbers suggest that a substantial portion of the population does not actively plan for long-term care, which may be due to financial restraints, underestimating their need for care, or misconceptions about the role Medicare plays in covering their healthcare costs. Planning tends to be more common among higher-income individuals or those with access to a financial advisor.

Long-term care costs

Although these numbers vary depending on location, they are daunting. According to the 2025 Genworth Cost of Care survey:

- Assisted living community costs increased by 10% to an annual national median cost of \$70,800 per year.
- It can cost up to \$77,796 annually for a home health aide. That's an increase of 3% from 2024.
- The cost of homemaker services has increased 10% to an annual median cost of \$75,504.
- A semi-private room in a skilled nursing facility now costs \$111,324, up 7%.
- The cost of a private room in a skilled nursing home rose 9% to \$127,752.

Medicare doesn't cover long-term-care expenses, so many Americans are on their own to fund their care. The options include traditional long-term-care insurance (purchased on the private market or as an employee benefit), a hybrid insurance policy or annuity with a long-term-care component, or self-funding care from your savings — or, if you deplete your assets, you may qualify for Medicaid.

If you can't adequately fund long-term care expenses, you may have to sell your home or rely on your family for care, which could disrupt your life and theirs and jeopardize their financial security too.

Considering the high cost of long-term care, here's our take on ways to cover LTC costs.

Traditional insurance

The LTC insurance market is suitable for a small percentage of consumers, says Jesse Slome, director of the American Association for Long-Term Care Insurance (AALTCI). And insurance trade association LIMRA estimates that just 3% to 4% of people 50 and older have long-term-care insurance.

“First, you have to apply at an age where you can get the insurance,” says Slome. “You have to be in good health, and you have to have the financial wherewithal.” You also, he says, have to be a person who plans ahead.

The cost of long-term care insurance

A major deterrent to long-term care insurance is cost. Stand-alone long-term-care insurance is expensive and difficult to get on the open market. Poor pricing decisions and inaccurate forecasts of policyholder dropout rates, longevity, and need for care whittled down the number of insurers that offer new long-term-care insurance policies.

According to the AALTCI in 2025, there are only six companies that sell traditional long-term care insurance.

- Mutual of Omaha
- Thrivent
- National Guardian Life
- New York Life
- Northwestern Mutual Life
- Bankers Life

This list does not include companies offering linked-benefit LTC options (which combine hybrid LTC and traditional life insurance products).

If you want to buy LTC insurance, getting a policy when you’re in your forties or early fifties can keep the premiums down. The older you are when you apply, the more you’ll pay for premiums, and the more likely you aren’t able to buy insurance at all.

A survey from 2020 showed that an estimated 20.4% of people in their fifties were denied LTC insurance, compared with nearly 38.2% of people in their seventies. An insurance provider may require medical records and a home interview to assess your health.

The AALTCI estimated that a 55-year-old man can expect to pay an average of about \$950 per year in 2024. A 55-year-old woman would pay about \$1,500 annually for an initial policy benefit (the pot of money the policy will pay out) worth \$165,000.

A man who purchases a policy of the same value at age 65 in 2024 can expect to pay \$1,700 yearly, and a 65-year-old woman would pay \$2,700. For a larger benefit, premiums run significantly higher.

Over time, monthly premiums are likely to increase. One analysis of thousands of rate increases found the average LTC insurance policy rate rose by 112% over 25 years, although premiums may have risen less sharply in recent years as the companies that remain in the market have gotten better at pricing policies.

What happens when a policy becomes unaffordable?

If you buy a policy and find yourself unable to continue paying the premiums, you could lose coverage or be forced to reduce the amount of coverage, even if you've been paying premiums for years.

For example, retired pharmacist Marie Marhan Dropkin, 64, can attest to the risk that a policy may become unaffordable. Now divorced, Dropkin, who lives near Schroon Lake, N.Y., and her then-husband purchased long-term-care insurance through Genworth Life Insurance more than 15 years ago, when she was in her late forties. The annual premium was about \$3,500 a year for each of them for unlimited lifetime coverage.

"The policy was great," she says, because it "covered so much." After about 10 years, the company increased its premiums to about \$5,000 each, "but I could still afford it," she says. She was given the choice between paying higher rates to keep the same benefits or paying less for reduced benefits. She decided to go with the higher rates.

A few more years passed, and the rates increased to about \$9,000 a year. By then, Dropkin's circumstances had changed, so she elected to stop paying premiums. The amount she has already paid will be available to cover long-term care when she needs it. The total, she says, is \$68,534.

Genworth has faced multiple class-action lawsuits contending that it failed to notify policyholders of its plans to increase rates substantially.

Recently, Dropkin was notified that a lawsuit involving her policy had settled. She was sorting through her options. At first impression, she says, it looks as if "there's no difference between the options, except with one I get \$1,250 back due to the lawsuit."

The notice also refers to a potential rate increase of 143% and that the company had only “a marginal ability to meet its obligations.”

Strategies to cut costs

Buy a policy at a younger age. Determining the best age to buy LTC insurance is tricky. Buy too young, and you've wasted money. Buy too old, and you risk being underinsured or denied.

Apply as a couple. According to the AALTCI, married people and even unmarried adults who live together may be offered discounts if they both purchase comparable coverage. They could also look into buying a joint policy with a shared benefit, which allows them to pool their benefits. If one spouse exhausts his or her benefits, he or she can use the other spouse's share.

Increase the waiting period. Another strategy is to incorporate a longer elimination period into your coverage. This is a waiting period, often of about 30 to 90 days, during which you become eligible for coverage but pay the costs of care yourself, delaying the time before your insurance kicks in. A more extended elimination period typically results in a lower annual premium.

Reduce the coverage period. You could further limit costs by selecting coverage for a specific period instead of lifetime coverage. According to the AALTCI, a policy that pays for up to five years of care, for example, will cost between 16% and 27% less yearly than a policy with an unlimited lifetime benefit.

Pay an annual premium. You might also be able to get a substantial discount if you agree to pay your premium once a year instead of monthly. The AALTCI offers more tips to reduce costs at www.aaltci.org.

Take tax deductions. Remember that you can deduct some of your long-term care insurance premiums and other expenses from taxes.

Employer benefits

Another option that might allow you to get long-term-care insurance without undergoing a health assessment is to buy it through your workplace.

There is no recent, comprehensive data pinpointing the exact percentage of companies offering LTC insurance as an employee benefit in 2025. However, a [2000 survey](#) by the U.S. Department of Health and Human Services (ASPE) found that among employers offering group LTC insurance, about 65% offered it to all employees.

If you have a health issue or a family history that suggests you might eventually need long-term care, it might be easier to get a policy through your employer than on your own, Slome says. "The policies are generally portable, which means you can keep them after you leave your job, though you'd have to continue paying the premiums to maintain coverage."

Hybrid insurance

Colorado Insurance Commissioner Michael Conway, who chairs the long-term-care (LTC) insurance committee of the National Association of Insurance Commissioners, says that as the number of companies offering traditional LTC insurance has declined, more companies bundle LTC coverage into other kinds of insurance policies.

Primarily, this is taking the form of life insurance with an LTC component. With these policies, if you need long-term care, you use some or all of the death benefit to pay for it. If you pass away without needing long-term care, your heirs receive the full death benefit.

These policies tend to be more expensive than stand-alone LTC insurance, but they're more widely available. And because life insurance rates depend heavily on interest-related investments by insurers, Slome says, rates have dropped over the past several years.

The typical cost of a single-premium combination policy was \$71,700 (in 2024) for men and \$76,740 for women, according to the AALTCI. Conway says consumers should talk to a financial adviser or insurance broker to determine which product best meets their needs.

The annuity option

Another hybrid product is an income annuity that includes a provision to increase your payout if you need long-term care.

However, the payout may not cover the full cost of care, and the added cost of this provision, known as a rider, can reduce the standard payout from the annuity.

The monthly payout is typically a multiple of your standard monthly income from the annuity. However, a rider may double or even triple your monthly payout for a certain period of time. For example, a \$100,000 annuity may pay out \$200,000 or \$300,000 worth of long-term care benefits for up to five years, according to annuity.org.

Slome sees the annuity option as potentially more beneficial to retirees than hybrid life insurance because they can collect annuity payments while they're alive, regardless of whether they need long-term care.

In addition, it can be easier to get an annuity with a rider than a stand-alone LTC policy because you are less likely to face stringent health requirements to qualify for coverage, Slome says. "This is especially important because people often wait to explore LTC financial planning until they have experienced a health scare."

He says annuities are also easier to purchase at a more advanced age. "Traditional long-term-care insurance accepts new applicants up to age 75, he says, while annuities with long-term-care riders accept applicants up to age 85."

The QLAC IRA option

A Qualified Longevity Annuity Contract or QLAC is a deferred income annuity that enables you to defer taking Required Minimum Distributions or RMDs from your IRA until age 85. As it stands, you're required to take RMDs when you reach age 73.

While it can't directly cover long-term care expenses, it can provide another way to pay for medical expenses.

Delaying RMDs gives the money in your IRA more time to stay invested, potentially growing and benefiting from compounding. It also delays paying taxes on RMDs, which frees up more money that can go toward long-term care.

As of 2025, you can contribute up to \$210,000 of your qualified retirement account, such as an IRA or 401(K), to a QLAC.

The pros and cons of self-insuring

Some retirees have sufficient assets to self-insure, meaning they pay the cost of any needed long-term care out of pocket without relying on an insurance policy.

When you self-insure, you're essentially betting that you won't require a prolonged stay in a nursing home. According to the Administration for Community Living, most people who go into a nursing home stay for less than 12 months. Afterward, people may or may not need some sort of in-home care.

To self-insure, "Generally, you should have anywhere from \$300,000 to \$700,000 in liquid, cashable assets," Slome says. "This may include funds from your traditional IRAs and Roth IRAs, 401(k) plans, and taxable accounts. You can also factor in income from Social Security and a pension, if you have one."

The value of your home doesn't count as a liquid asset, although you may want to calculate how selling your home could boost your ability to pay for long-term care.

If you've built substantial home equity, downsizing to a smaller home could also free up significant cash. And, if you end up moving into assisted living or a nursing home, home-sale proceeds could help cover the cost of care.

Make sure to factor in future taxes on the assets you plan to liquidate to pay long-term-care bills, Slome says. "You'll have to account for income taxes on withdrawals from traditional 401(k)s and IRAs, for example."

Make use of an HSA

If you have a high-deductible health insurance plan, funding a health savings account is one way to save for long-term-care expenses and minimize the tax bite.

Contributions are pretax (or tax-deductible if you open an HSA on your own), your investments grow tax-free, and withdrawals aren't taxed if you use them for qualified medical expenses, including costs for long-term care.

You can also use HSA money tax-free to pay premiums for long-term-care insurance; the amount you can withdraw annually depends on your age.

HSA contribution limits allow you to deposit up to \$4,300 in 2025 and \$4,400 in 2026 if you have individual coverage, or \$8,550 in 2025 and \$8,800 in 2026, if you have family coverage.

"When deciding whether to self-insure, you should also think about whether you can stomach the high cost of footing the bills yourself," Slome says. "Are you willing to pay \$30 (or more) an hour for a home health aide, or will you balk because you remember earning \$30 a week in your first job?"

Consider the role of family

A final factor to consider is that you may end up relying on your family for care if your funds fall short, says Slome. "Long-term care in the U.S. is provided overwhelmingly by unpaid loved ones."

According to the Department of Health and Human Services, the average lifetime value of unpaid care after age 50 among those who receive care is \$168,000. Nearly one-fourth of care recipients receive unpaid care valued at \$250,000 or more.

Nancy Yung, 96, who formerly owned a laundry business and restaurant in Bloomingdale, Ill., raised five children as a single mother after her husband died more than 45 years ago.

Yung's daughter, Mary Fus, 53, has been her mother's caregiver for 14 years. She is working with other family members to enable her mother, who has Alzheimer's disease, to remain in her townhome.

Fus says her mother fell last year and broke her hip. She has a medical bed where the dining room used to be so she doesn't have to climb stairs to go to her bedroom.

Fus's siblings assist with her care, too. They have arranged for someone to go to the house to help during weekdays when siblings are working. A brother checks in at night, and a nephew sleeps in the home. Fus goes to her mother's home when she can, preparing her mother's meals, pureeing her food, getting her supplies and helping her with bathing and hygiene. "As long as we're able, we'd like to keep her at home," Fus says.

As much of an effort as it all is, Fus says it's not a hard decision because her mother cared for so many people. "We're lucky we do have other people who will step up and help. A lot of people don't."

NYSUT NOTE: The first step for any NYSUT member planning for the possibility of long-term care is taking a look at the NYSUT Members Benefits Trust–endorsed [New York Long-Term Care Brokers](#). It offers NYSUT members and their families access to planning specialists who can help them see a path forward. You can also look into [homecare service contracts](#) if you need to secure flexible in-home care.

About the Author

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Elaine Silvestrini has worked for Kiplinger since 2021, serving as senior retirement editor since 2022. Before that, she had an extensive career as a newspaper and online journalist, primarily covering legal issues at the Tampa Tribune and the Asbury Park Press in New Jersey. In more recent years, she's written for several marketing, legal and financial websites, including Annuity.org and LegalExaminer.com, and the newsletters Auto Insurance Report and Property Insurance Report.

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