Costs of long-term care can sap your life savings

By Michele Parente
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SAN DIEGO — When Robert Raymond was growing up in Queens, N.Y., in the 1930s, his family struggled with money. He remembers vowing that he wouldn't be in the same financial position when he got older.

"We had some Thanksgiving dinners with just franks and beans on the table. I didn't say this to my parents, but I made a promise to myself that I wouldn't live like that — but here we are," said Robert, now 85.

By "we," he meant himself and his wife of 55 years, Claire, 82.

The "here" is the situation in which he swore never to be.

Like so many other older Americans, the Raymonds have seen their life savings swallowed up by long-term care. It took the couple decades to turn their modest salaries into a $100,000 nest egg but just five years to wipe it out after Claire moved into an assisted-living facility.

And although she is getting the care she needs — she was diagnosed with Parkinson's disease 10 years ago and is disabled and in a wheelchair — her husband was kicked out of their apartment for being behind on the rent and had to take temporary shelter in subsidized senior housing in downtown San Diego.

"We didn't end up this way being careless, blowing all our money at the casino," Robert said, sitting in a small studio apartment stacked with boxes filled with the couple's possessions. "I'm sure I'm not unique in my age group of people getting old and getting wiped out."

In fact, the Raymonds' financial downfall from middle-class retirees to destitute seniors is all too common. Long-term care, whether in the home, an assisted-living community or a nursing home, is overwhelmingly paid out of pocket, from people's savings. And studies conducted in recent years come to the same conclusion: America's rapidly aging population is ill-prepared to pay for what's coming.

According to a 2014 report by the National Health Policy Forum, based at George Washington University in Washington, D.C., the average annual cost of nursing-home care in 2012 was between $81,000 and $90,000; assisted-living facilities averaged $42,000 a year. And long-term care can sometimes stretch over years.

"While some seniors are well-prepared financially for their retirement years, most have limited savings and modest resources in retirement accounts and home equity," a 2012 Kaiser Family Foundation study found.

“The top 5 percent of Medicare beneficiaries ages 65 and older have retirement savings and financial assets totaling over $1.1 million, but most have considerably less. Median savings (retirement accounts and other financial assets) among seniors was nearly $66,900 in 2010. One-fourth of seniors had savings of less than $11,800. Among the 81 percent of seniors with home equity, the average amount was just over $136,000 in 2010, but half had less than $94,000.”

Tom Warschauer, director of financial-planning programs at San Diego State University, said it’s common for people to think they’re well-prepared for retirement when they’re not.

“It’s surprising when you ask people whether they’re well-prepared for retirement, in fact there’s data to show that the general answer is yes. But when you compare that with their assets, generally their assets aren’t enough,” he said.

“Given the fact that this is common, and is going to be more prevalent in the future, we as a society are going to have to decide how to deal with this. It’s clearly an issue that needs a political solution, and it’s not an easy solution because it’s expensive. One solution is Medicare could start to cover long-term care, but Medicare is going broke already.”

The Raymonds, who didn’t have children, were surrounded by money throughout their adult lives: Both had midlevel jobs at various banks in San Diego.

They lived modestly and never accumulated significant wealth. They rented instead of owning a home, but they always made sure to put some of their paychecks away for retirement. With their $100,000 savings, combined monthly Social Security benefits of about $3,000 a month and his $99.76 monthly pension from Great American Bank, the Raymonds felt confident that they were on solid footing.

Then a cascading series of illnesses befell Claire, and that solid foundation collapsed.

Mr. Raymond never thought he’d end up poor again. He thinks back to the vow he made all those years ago and how it was never far from his mind.

When he worked at Great American, he’d leave his downtown office and walk to catch the bus to his neighborhood, passing by homeless people hunkering down for the night.

“I’d think to myself, ‘I’m going home to a warm apartment.’ And today, I’m still grateful I’m not in that situation.”