A GROWING URGENCY:
RETIREMENT CARE REALITIES
FOR MIDDLE-INCOME BOOMERS
METHODOLOGY AND DEFINITIONS

This study from the Bankers Life Center for a Secure Retirement—A Growing Urgency: Retirement Care Realities for Middle-Income Boomers—was conducted in October 2018 by the independent research firm The Blackstone Group.

The internet-based survey consisted of a nationwide sample of 1,500 middle-income Americans age 54 to 72. Quotas were established based on the U.S. Census Current Population Survey data for age, gender and income to obtain a nationally representative sample. The margin of error is +/- 2.5 percentage points at the 95% confidence level.

Multiple answers were accepted on some questions; results on these questions sum to greater than 100%.

For the purposes of this study, the Bankers Life Center for a Secure Retirement used the following definitions.

What is middle income?
Middle-income Americans have an annual household income between $30,000 and $100,000 and have less than $1 million in investable assets.

Who is a Boomer?
Boomers are Americans born between 1946 and 1964. They were 54 to 72 years old in 2018.

Who is a caregiver?
A caregiver is someone who is/has been a primary caregiver to a parent, step-parent, in-law, spouse or adult child who needs/needed care due to a disability, a chronic disease or old age. Professional caregivers are not included.
INTRODUCTION

For the first time in a Bankers Life Center for a Secure Retirement study, more middle-income Boomers now consider themselves retired than not retired. And as 10,000 Americans continue to turn 65 each day, retirement care—whether at home or in a facility, due to injury, chronic illness or decline in physical or cognitive function—is becoming an increasingly urgent issue for which Boomers need to plan for and address.

According to projections from the U.S. Department of Health and Human Services, nearly 70% of current Boomers will require some type of long-term care services during their lifetime.¹ Half (51%) of those requiring care will need it for up to two years and more than one-quarter (27%) will require care for more than five years.² The U.S. Department of Health and Human Services also estimates that the average total cost for the future care of Boomers is $138,000,³ which if not adequately planned for can cause a significant strain (or worse) on the retirement savings of many older middle-income Americans.

How prepared are middle-income Boomers to face this reality? In recent years, the Center for a Secure Retirement has explored their response to an increasing amount of individual responsibility for their financial security in retirement. But while there is increasing awareness among Boomers of their need to plan for their retirement care needs, the extent of their actions taken to-date is cause for concern.

In this study, *A Growing Urgency: Retirement Care Realities for Middle-Income Boomers*, the Bankers Life Center for a Secure Retirement seeks to understand how prepared middle-income Boomers are for the possibility of needing care in their retirement—their changing expectations, insufficient preparation activity and dangerous misconceptions.

³Ibid.
As 10,000 people turn 65 every day, for the Baby Boomer generation—those born between 1946 and 1964—a personally fulfilling retirement remains an expectation.

Half (47%) of middle-income Boomers expect their retirement to include more personal satisfaction than previous generations and around half expect their retirement to include more mental stimulation and physical activity (58% and 44%, respectively) than previous generations’ retirements.

At the same time, Boomers also expect less help from family and former employers—more than one-third (36%) expect less in-person care from family, and nearly half (45%) expect less health insurance from former employers.

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<th>Expect MORE of this than previous generations</th>
<th>Expect LESS of this than previous generations</th>
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<td>Mental stimulation</td>
<td>In-person care from family in old age</td>
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<td>36%</td>
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n=1,500
MIDDLE-INCOME BOOMERS’ BIGGEST WORRY AS THEY GET OLDER

- Staying healthy enough to enjoy my retirement: 56%
- Having enough money to last throughout my retirement: 44%

For more than half (56%) of middle-income Boomers, their primary retirement concern is staying healthy enough to enjoy their retirement. Having enough money to last throughout retirement is the primary concern for just over four in ten (44%) middle-income Boomers.

**BOOMERS UNPREPARED FOR A FINANCIAL EMERGENCY**

Although finances are a secondary concern to staying healthy for most middle-income Boomers, most also report they have limited savings to cover a financial emergency. Half (50%) of middle-income Boomers have less than $5,000 in savings set aside for a financial emergency. And one-third (30%) have less than $1,000.

Only one-quarter (23%) of middle-income Boomers have more than $30,000 saved for a financial emergency.

**Middle-income Boomers with less than $5,000 in emergency savings**

- 50% have less than $5,000
- 20% have $5,001 to $10,000
- 15% have $10,001 to $30,000
- 15% have $30,001 to $50,000
- 8% have $50,001 to $100,000
- 7% have more than $100,000

**Middle-income Boomers with more than $30,000 in emergency savings**

- 23% have more than $30,000

CHAPTER 1
RETIREMENT CARE TODAY

RETIREMENT CARE IS IMPACTING MORE AND MORE BOOMERS

In 2018, the impacts of long-term—or retirement—care are being felt by more than half of middle-income Boomers. In fact, two-thirds (67%) of middle-income Boomers know someone who has required retirement care, either in their home or in a nursing home. And about half (45%) of middle-income Boomers have experience as a caregiver.

MIDDLE-INCOME BOOMERS WHO KNOW SOMEONE WHO HAS REQUIRED RETIREMENT CARE

- Yes: 67%
- No: 33%

MIDDLE-INCOME BOOMERS WITH CAREGIVING EXPERIENCE

- Current caregiver: 10%
- Past caregiver: 35%
- No caregiving experience: 55%

45% Middle-income Boomers with caregiving experience


n=1,500
WHO MIDDLE-INCOME BOOMERS ARE CARING FOR
Among those with caregiving experience


n=674

Note: Percentages add up to more than 100% because respondents could select more than one person.
**BOOMERS WANT TO BE THE PRIMARY DECISION-MAKER**

If care is or may be required, middle-income Boomers believe that the recipient of care should be the primary decision-maker, rather than the person who is funding or providing the care.

Two-thirds (65%) said that the recipient of care should be the primary decision-maker, while two in ten (20%) believe the person paying for care should be the primary decision-maker.

**DESIR ED PRIMARY RETIREMENT CARE DECISION-MAKER**


n=1,500
Chapter 1: Retirement Care Today

Boomers Have Insufficient Savings to Pay for Retirement Care

In addition to their lack of savings for a financial emergency, few Boomers have dedicated savings for retirement care.

Nearly four in five (79%) middle-income Boomers have no money set aside specifically for their retirement care needs. Of those who do have a retirement care nest egg, the median amount saved is $40,000, and only 4% have more than $100,000 saved. To put this in perspective, the average cost of a nursing home semi-private room for one person is more than $7,400 per month (or nearly $90,000 per year).* A Boomer with the median amount saved will exhaust their savings in less than six months, while the average nursing home stay is one year.**


n=1,500

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*Genworth, Cost of Care Survey, June 2018.
False confidence in managing costs

Still, if they or a loved one will need care, Boomers report being confident that they will be able to manage their health care costs, and even afford retirement care, should they need it—though that confidence may be unfounded.

Three-quarters (74%) of middle-income Boomers are somewhat or very confident in their ability to manage their and their spouse’s health care costs as they age. Just one-quarter (26%) are somewhat or very unconfident.

About half (53%) are very or somewhat confident in their ability to manage their retirement care should they need it.


n=1,500
With the oldest Boomers today being 72 years old, Boomers are getting closer to the age where they are more likely to need care. However, they are still not nearly prepared enough for the cost and impact of possible retirement care.

MORE PREPARED FOR DEATH THAN LIFE

In fact, more Boomers have made formal preparations for when they die than have made plans for how they will continue to live, i.e., their retirement care. Eight in ten (81%) middle-income Boomers have made at least one formal preparation for when they pass away, while only three in ten (32%) have a plan for how they will receive care in retirement, should they need it.

END-OF-LIFE AND RETIREMENT CARE PLANNING

For middle-income Boomers

- Communicated funeral preferences: 45%
- Identified where I’d like to be buried/cremated: 43%
- Purchased life insurance policy to pay for final expenses: 42%
- Created and maintained an up-to-date will: 39%
- Documented preferences for what happens to my body: 34%
- Prepaid for some or all final expenses: 16%
- Planned for how I will receive care I may need in retirement: 32%

81% have made at least one formal preparation for when they pass away.


n=1,500
More Boomers Expect They Will Need Care

While still low, today’s middle-income Boomers are more realistic about the likelihood that they will need retirement care at some point. Nearly half (45%) of middle-income Boomers believe they will need retirement care someday. This is up significantly from 2013, when only one-third (36%) expected to need retirement care.*

However, this still trails behind the 69% of current Boomers who will need some type of retirement care services during their lifetime, according to the U.S. Department of Health and Human Services.**


n=1,500

Despite their lack of preparation for their retirement care, Boomers do not seem to be moved to action by family, friends or professional advisors.

Most Boomers report that retirement care planning is not a high priority for them at this point. Less than one in five (18%) said that retirement care planning is a high or very high priority. Twice as many (40%) said it is a low priority or not a priority.

Prioritizing Retirement Care Planning Among Middle-Income Boomers

At this time, retirement care planning for me is...

- Very high priority: 4%
- High priority: 14%
- Medium priority: 42%
- Low priority: 30%
- Not a priority: 10%

Middle-income Boomers who say retirement care planning is a high or very high priority: 18%

Middle-income Boomers who say retirement care planning is a low priority or not a priority: 40%
Many middle-income Boomers are unaware of the fundamental facts about Medicare and paying for retirement care. More than half (56%) of middle-income Boomers mistakenly expect to use Medicare to pay for care should they need it. Medicare does not cover LTC needs.

One in six (16%) do not know or are unsure how they would pay for retirement care.

Somewhat encouragingly, two in five (40%) middle-income Boomers now expect to use personal savings to pay for care—an increase of 15 points over 2013.*

56% of middle-income Boomers expect to use Medicare to pay for care, however... Medicare does not cover long-term care needs.**


CHAPTER 2
GROWING (BUT INSUFFICIENT) RETIREMENT CARE AWARENESS

UNDERESTIMATING THE COST OF CARE

In addition, Boomers are underinformed about the potential costs of retirement care. One-third (35%) of middle-income Boomers in our study couldn’t provide an estimate of the monthly cost of a stay in a nursing home and more than four in ten (42%) couldn’t guess at the hourly cost of a home health aide. Of those middle-income Boomers who provided a guess, their median estimate was less than half of the actual national average. Middle-income Boomers fared better when guessing on the hourly cost of a home health aide, coming in exactly at the national average of $22.

COST OF RETIREMENT CARE IN THE U.S.

Nursing home, semi-private room (monthly cost)

- Middle-income Boomer estimate (median): $3,600
- Lowest state average: $4,639
- National average: $7,400
- Highest state average*: $12,623

Home health aide (hourly cost)

- Middle-income Boomer estimate (median): $22
- Lowest state average: $16
- National average: $22
- Highest state average*: $30


More prepared for death than life
More Boomers expect they will need care
Retirement care planning not a priority
Boomers unaware of basic Medicare facts
- Underestimating the cost of care
- Willingness to sacrifice

Genworth, Cost of Care Survey, June 2018.
GROWING (BUT INSUFFICIENT) RETIREMENT CARE AWARENESS

WILLINGNESS TO SACRIFICE

Boomers do recognize the difficulty and burden that providing care can be and the sacrifices that would be required.

Nearly all (92%) middle-income Boomers said they would be willing to make lifestyle changes in order to provide care to an adult, if necessary.

ACCEPTABLE LIFESTYLE CHANGES TO PROVIDE CARE
Among middle-income Boomers who expect to be caregivers in the future

- 66% Reduce other spending
- 41% Travel less
- 27% Move to a new home
- 27% Work less
- 19% Stop working altogether
- 14% Move to a new city
- 8% None—would not be willing to make any changes

92% Boomers who would be willing to make at least one lifestyle change

Bankers Life Center for a Secure Retirement, A Growing Urgency: Retirement Care Realities for Middle-Income Boomers, March 2019. n=691
CHAPTER 3
BARRIERS TO RETIREMENT CARE PLANNING

NOT SURE WHO TO TRUST

Perhaps the largest barrier to planning for retirement care is that many Boomers do not know whom to trust regarding their retirement care planning.

Among those middle-income Boomers without a retirement care plan, one-third (32%) say they need advice, but do not know whom to trust. One in five report that retirement care planning is too complicated to address (21%) or too difficult to talk about (20%).

Only one in six (16%) believe it is not necessary to have a retirement care plan.

REASONS FOR NOT HAVING A RETIREMENT CARE PLAN

Among middle-income Boomers who do not currently have a plan:

- I need advice but don’t know whom to trust: 32%
- It’s too complicated: 21%
- It’s too difficult to talk about: 20%
- I don’t believe it’s necessary to have a plan: 16%
- I don’t have time to create a plan: 11%
- Plan in process: 8%
- Too expensive: 4%


n=1,017
TURNTING TO FAMILY—NOT PROFESSIONALS—FOR GUIDANCE

Because Boomers don’t know whom to trust, most often they turn to a family member for help, rather than an expert.

More than one-third (36%) of middle-income Boomers said their primary source for retirement care guidance is a family member. One in ten (11%) turn to online resources. And another one in five (18%) are not sure whom to turn to at all.

Less than one-quarter (23%) said that their primary source for retirement care planning guidance is a professional such as an investment advisor or insurance agent. Less than one in ten (7%) turn to a health care professional.

UNFAMILIARITY WITH LTC INSURANCE

Long-term care insurance is one possible option to help Boomers pay for retirement care they may need, but many remain unfamiliar with it.

Only about one in ten (12%) middle-income Boomers have purchased long-term care insurance, while more than one third (37%) say they are unfamiliar with the product.

Bankers Life Center for a Secure Retirement, A Growing Urgency: Retirement Care Realities for Middle-Income Boomers, March 2019. n=1,500
CHAPTER 3
BARRIERS TO RETIREMENT CARE PLANNING

LTC INSURANCE JUST “NICE TO HAVE”

For most Boomers, LTC insurance is perceived to be a luxury, not a necessity.

Two-thirds (67%) of middle-income Boomers said long-term care insurance is “nice to have.” “Necessary” insurance, according to middle-income Boomers, includes: auto insurance (97%), health insurance (95%) and home/renter insurance (82%).

MIDDLE-INCOME BOOMERS’ ATTITUDES TOWARD TYPES OF INSURANCE

- Auto: 97% Necessary, 2% Nice to have, 2% Not necessary
- Health: 94% Necessary, 5% Nice to have, 1% Not necessary
- Home/renters: 82% Necessary, 13% Nice to have, 5% Not necessary
- Medicare supplement: 55% Necessary, 33% Nice to have, 9% Not necessary
- Life: 52% Necessary, 35% Nice to have, 13% Not necessary
- Disability: 26% Necessary, 55% Nice to have, 18% Not necessary
- Critical illness: 22% Necessary, 58% Nice to have, 14% Not necessary
- Long-term care: 21% Necessary, 67% Nice to have, 11% Not necessary
- Flood: 17% Necessary, 41% Nice to have, 41% Not necessary
- Travel: 8% Necessary, 46% Nice to have, 43% Not necessary

Bankers Life Center for a Secure Retirement, A Growing Urgency: Retirement Care Realities for Middle-Income Boomers, March 2019. n=1,500
### PRIMARY REASON FOR NOT PURCHASING LTC INSURANCE

Among middle-income Boomers who are familiar with it

<table>
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<tr>
<th>Reason</th>
<th>Percentage</th>
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<tr>
<td>I feel it is too expensive</td>
<td>56%</td>
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<tr>
<td>Odds are I won't need it</td>
<td>11%</td>
</tr>
<tr>
<td>No one has ever talked to me about it</td>
<td>6%</td>
</tr>
<tr>
<td>Not sure which company to trust</td>
<td>6%</td>
</tr>
<tr>
<td>It's not necessary</td>
<td>6%</td>
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</table>

More Boomers Planning for Their Retirement Care

While the overall number remains low, more Boomers today have a plan for care they may need in retirement than five years ago. In addition, of those who do not currently have a plan, most expect that they will someday develop one.

One-third (32%) of middle-income Boomers have a plan for how they will receive care in retirement, should they need it. This is an improvement over the one-quarter (28%) who had a plan in 2013,* but still lags behind the nearly six in ten (58%) middle-income Boomers who have a plan for how they will fund their retirement, and the half (46%) who have a plan for how they will spend their time in retirement.

More concerning is that half (47%) have never talked with anyone about how they will receive care during retirement.

More Boomers planning for their retirement care

Planning pays off
Plan development is as easy as expected
Motivated by responsibility
Boomers prefer care at home
Urgency to act is growing


n=1,500

For Boomers in our study, the benefits of developing a retirement care plan are apparent. Those with a plan worry less about the future and feel more confident that they will have a secure retirement.

Among middle-income Boomers who have a retirement care plan, nearly nine in ten (88%) reported a positive impact from having the plan.

- 40% worry less about the future.
- 38% are more confident that they will have a secure retirement
- 28% feel free to enjoy their retirement more

Bankers Life Center for a Secure Retirement, A Growing Urgency: Retirement Care Realities for Middle-Income Boomers, March 2019. n=483

**Impact of Having a Retirement Care Plan**

Among middle-income Boomers with a plan

- I worry less about the future: 88%
- I worry more about the future: 12%
- I am more confident I will have a secure retirement: 38%
- I feel free to enjoy my retirement more: 28%
- I worry more about the future: 12%
PLAN DEVELOPMENT IS AS EASY AS EXPECTED
The ease of retirement care planning is on par with Boomers’ expectations.
Among middle-income Boomers who have a retirement care plan, the planning process largely met their expectations.
Nearly all (92%) said their retirement care planning was easier than they expected or was as easy or as hard as they expected. Fewer than one in ten (8%) said it was harder than they expected.


n=483
CHAPTER 4
RETIREMENT CARE PLANNING STEPS AND BENEFITS

MOTIVATED BY RESPONSIBILITY

For middle-income Boomers with a retirement care plan, their primary motivation to develop that plan is likely to come from themselves—not from a health scare or urging from another.

They are primarily motivated by responsibility (31%) and to minimize future burdens on loved ones (31%). Less motivating are health scares for themselves (10%) or family or friends (5%) or being urged to do so by a family member (6%).

Why Middle-Income Boomers Develop a Retirement Care Plan

Among middle-income Boomers with a plan

- It’s the responsible thing to do: 31%
- To minimize future burdens on loved ones: 31%
- I reached a certain age: 12%
- My own health scare: 10%
- Health scare of family member or friend: 5%
- Urged to do so by spouse/partner: 4%
- Urged to do so by financial professional: 3%
- Urged to do so by other family member: 2%
- Other: 3%


n=483
BOOMERS PREFER CARE AT HOME

For Boomers who may need care in the future, they would prefer to receive care in their home, but recognize that the reality may be something different.

Two-thirds (65%) of middle-income Boomers would prefer to receive care in their home—either as-is or following some modifications—should they need long-term care someday. However, more than one in four (28%) Boomers expect to receive care somewhere other than their preference. Almost no middle-income Boomers (2%) would prefer to receive care in a nursing home; however, one in ten (9%) expect to receive care in a nursing home.

- 41% in my current residence (as-is)
- 33% in my current residence (after some home modifications)
- 19% at an independent living community
- 9% in a different home I own/would purchase
- 5% at the home of one of my children
- 2% in a nursing home

Boomers prefer care at home

- n=1,500
URGENCY TO ACT IS GROWING

The urgency for Boomers to have a plan for their retirement care is growing as more and more retire every day and get closer to the age when they or their partner will likely start to need care.

Today, the oldest Boomers are in their early 70s. By their own admission, Boomers will start to need help around age 70—with the need only growing by age 80 and beyond.

Boomers’ expectations for when people typically need this type of care or assistance:

- Home modifications: median age 70
- In-home care: median age 79
- Assisted living facility: median age 80
- Nursing home: median age 84

RECOMMENDATIONS FOR MIDDLE-INCOME BOOMERS

Even if you have taken steps to build a financial plan for your retirement, you should not consider your plan complete until you have also developed a plan for the care you may need in retirement. Use the following recommendations as a guide if you’re not sure where to start.

Seek insight and professional expertise. Talk to others who have experience as a care recipient or provider for insight into their experience and what they learned. Also seek advice from a trusted insurance agent or other financial or legal professional with experience in retirement care planning. He or she can review your situation to help get your planning on track and explain approaches you may want to consider.

Discuss with family and loved ones. It can be difficult at first but talk openly and honestly about your care preferences with your loved ones, including the caregiving roles you’d like them to play. You’ll find that the conversation can be easier to have in advance, rather than waiting for the stress of a situation when care is urgently required.

Don’t wait. Those who have completed the retirement care planning process indicate that starting sooner can help reduce worries about the future and allow yourself to more fully enjoy your retirement. You may also have more options from which to avail yourself. If you’re in your 50s, start putting away additional money for retirement care and long-term care insurance. If you’re in your 60s, express your care preferences to family and friends. If you’re in your 70s, make sure that a portion of your existing retirement savings is dedicated for retirement care expenses and familiarize yourself with care providers and costs in your area.

Remember the four Ps of retirement care:
• Preferences—Think about where and how you want to receive care.
• People—Identify who will help provide your care and have candid conversations to be sure everyone’s expectations are aligned.
• Price—Consider how your retirement care will be funded. Even if family will provide much of your care, often additional costs arise. Will you pay from your retirement income or savings, will you expect family members to pay or will you collect benefits from a long-term care insurance policy?
• Plan—Work with a professional to craft the details of your plan and update it periodically as your life circumstances change.
ABOUT THE CENTER FOR A SECURE RETIREMENT

The Bankers Life Center for a Secure Retirement is the company’s research and consumer education program. Its studies and consumer awareness campaigns provide insight and practical advice to help everyday Americans achieve financial security in retirement.

About Bankers Life
With a history dating back to 1879, Bankers Life provides a broad selection of life and health insurance products designed especially for Americans who are near or in retirement.

With over 260 offices across the country, Bankers Life’s nearly 4,200 insurance agents live and work in the communities they serve. Our agents take the time to get to know their customers, listen to their needs and values, and are dedicated to helping them meet their goals for a secure retirement.

Learn more
To learn more about Bankers Life, visit BankersLife.com or call (800) 231-9150.

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Administrative office: Chicago, Illinois.

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