



PROSPERA PERSPECTIVES

The Risk No Portfolio Can Outrun: Planning for Long-Term Care

Roughly 70 percent of people turning 65 will need some form of long-term care. Medicare pays for very little of it. Here is how business owners can decide who does.

Most retirement plans are built to survive a bad market.
Very few are built to survive a long illness.

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Successful business owners tend to plan for the risks they can see: a downturn, a lost customer, a tax bill. The risk that most often dismantles a well-built retirement is quieter. It arrives as a fall, a diagnosis, or a slow decline, and it sends a monthly invoice that can run for years.

The Risk That Doesn't Show Up on a Balance Sheet

Federal estimates have long held that roughly 70 percent of people turning 65 will need some form of long-term care during their lifetime. Many of those needs are brief or handled by family. But a meaningful share are not: a significant minority of retirees will need paid care for years, and those are the cases that reshape a family's finances.

The costs are not abstract. According to the CareScout Cost of Care Survey, the national median cost of a private nursing home room reached roughly \$129,575 a year in 2025, with a semi-private room around \$315 per day. Full-time home care and assisted living are lower, but still easily run into the high five figures annually, and costs in many metropolitan areas sit well above the national median.

The core question: If you or your spouse needed care for four years beginning next spring, which assets would pay for it, and what would be left for the surviving spouse, the business, and the next generation when it was over?

The Medicare Misconception

The most common assumption we encounter is that Medicare will handle it. It will not. Medicare is designed for acute, skilled medical care. It covers a limited skilled nursing facility stay following a qualifying hospital admission, up to 100 days, with significant cost-sharing after day 20, and only while skilled care is medically necessary.

What most people actually need is custodial care: help with bathing, dressing, eating, mobility, and supervision for cognitive impairment. That is exactly what Medicare excludes. Medicaid does pay for long-term care, but only after assets are spent down to minimal levels, a safety net, not a strategy, for anyone who has built meaningful wealth. Many families first learn this in a hospital discharge office, when the options are narrowest.

Why Self-Insuring Is Harder Than It Looks

High-net-worth owners often conclude they will simply pay for care out of pocket. Sometimes that is reasonable. But self-insuring carries costs that are easy to underestimate:

- **Forced liquidation.** Care bills arrive monthly regardless of market conditions, interest rates, or whether the business is ready to be sold.
- **Tax drag.** Funding care from tax-deferred retirement accounts can push withdrawals into higher brackets at exactly the wrong time.

- **The surviving spouse.** The healthy spouse’s retirement is often the real casualty: the portfolio meant to support two people for thirty years is consumed by one person’s care.
- **The family burden.** When there is no plan, adult children frequently become unpaid caregivers, with real consequences for their careers and their own finances.

Self-insuring is a decision to hold the risk. It should be made deliberately, with the numbers in front of you, not by default.

The Shift to Hybrid Protection

The market has changed considerably. Traditional standalone long-term care policies gave many buyers pause because of rising premiums and a “use it or lose it” structure. In response, the industry has moved decisively toward hybrid designs: permanent life insurance or annuity contracts with long-term care or chronic illness benefits built in. LIMRA and EY research published in 2026 describes combination life/LTC products as one of the most active growth areas in the individual life market.

Approach	How it works	Key trade-off
Self-insure	Pay care costs from savings and income	Full exposure to the size and length of the need
Traditional LTC insurance	Dedicated policy pays a benefit for qualifying care	Premiums may increase; no benefit if care is never needed
Life insurance with LTC rider	Death benefit can be accelerated to pay for qualifying care	Unused benefit passes to heirs; care benefit reduces the death benefit
Linked-benefit / asset-based design	Single or limited-pay premium creates a larger pool for care	Premium structure defined up front; requires committing capital

The appeal of hybrid designs is straightforward: if care is needed, the policy helps pay for it; if it is not, the value passes to heirs as a death benefit. For many families, that converts an uncomfortable “what if” into a defined, planned outcome.

Design matters. Riders differ significantly in how benefits are triggered, whether they pay on a reimbursement or indemnity basis, benefit periods, inflation protection, and whether a separate elimination period applies. Chronic illness riders and true long-term care riders are not the same thing. Coverage is subject to medical underwriting, and it is generally both more available and less costly at younger ages. Any comparison should be made from full illustrations showing guaranteed and non-guaranteed values.

Advantages Specific to Business Owners

For owners, long-term care planning can intersect with the business in useful ways. Under current law, qualified long-term care insurance premiums may be deductible within age-based limits, for 2026, from \$500 at age 40 or under to \$6,200 at age 71 and older, and the self-employed may be able to deduct eligible premiums without meeting the usual medical-expense threshold.

C corporations may be able to deduct premiums paid for employee-owners, and some existing policies may be exchanged into a hybrid design under Section 1035. Each of these depends on entity type, policy qualification, and your specific facts, which is why your CPA belongs in this conversation from the start.

A Practical Planning Sequence

- **Name the plan.** Decide explicitly whether you will self-insure, transfer the risk, or blend the two.
- **Price the exposure.** Model several years of care at local costs and see which assets would fund it.
- **Protect the survivor.** Test the healthy spouse's retirement after a multi-year care event.
- **Review what you own.** Existing life and annuity contracts may already carry riders, or be candidates for a 1035 exchange.
- **Coordinate the tax treatment** with your CPA, and the care directives and powers of attorney with your attorney.
- **Talk to your family.** Who makes decisions, where care happens, and how it is paid for should not be decided in a crisis.

Long-term care sits squarely at the intersection of insurance, tax, estate, and family planning, which is why it so often falls through the cracks. Coordinating those conversations is what we mean by **the entrepreneur's family office**: one team making sure the plan that protects your wealth also protects the people it was built for.

Who Pays If Care Is Needed?

At Prospera, we work alongside your attorney and CPA to evaluate your long-term care exposure, review existing coverage, and design protection that fits the rest of your plan.

Schedule a complimentary long-term care review.

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The Entrepreneur's Family Office

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