

# WEALTH PROTECTION

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## About Surgeons Capital Management



Surgeons Capital Management (SCM) is a private wealth management firm that works solely with surgeons and surgical practices. Our focus is in providing wealth and investment management, estate planning strategies, asset protection, and credit protection strategies to our clients.

- Because we work exclusively with surgeons and professional groups, we can provide some additional benefits and programs that are only available to our client surgeons — often at lower cost.
- Recognizing your time constraints, we are available to work around the clock, seven days a week.
- We are there for you when you need us, not when it's convenient for us. We can meet with you virtually, or in person — whatever your preference.

We seek to understand your highly specialized and complex financial needs and, using tax-advantaged planning strategies, we strive to provide lasting value to you and your family.

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### **SURGEONS CAPITAL MANAGEMENT**

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## Summary

Today, more and more people are finding that uninsured medical costs are robbing them of a more comfortable retirement. These are substantial costs that a large percentage of the population will face. Many are unprepared because they thought they were covered by Medicare - but they are not. The good news is that things can be done. There are new types of products available today that more and more people are turning to for relief. This guide will provide some education into this topic and outline some solutions.

To explore the long term care options to find the approach that is right for you, seek professional advice from a representative that is licensed in the state where you live.

### **“What a drag it is getting old.”**

(Rolling Stones)

Well it happens to everyone. The baby boomers who heard those lyrics are now in or approaching their 70s. Let's look at the good news first. Money. A good many baby boomers have saved for their retirement and are living on those savings today or plan to do so in the coming years. Retirement today can be a pretty long journey and that money needs to last. At the same time, there are lots of things pulling it out of retirees' pockets. Some more than others depending on the lifestyle one chooses to live. Where you want to live, how much you want to travel, etc. Of course, these decisions can change as retirement years stretch on.

### **How Did That Dream Get Derailed?**

Tom and Sally had it all figured out. When Tom retired, they moved to Florida, bought a condominium near the beach, and took at least one trip every year to see parts of the world they always wanted to explore. Their kids and grandchildren loved to visit, and Tom and Sally would slot in the visits over the course of the year.

Well we all know nothing lasts forever and Tom and Sally were no exception. Sally came back from a routine doctor visit with some bad news and over the next several months the news got worse. Heart surgery was on the horizon. She recovered but it turned out to be the beginning of a long slide. After several follow up surgeries, there was no coming home. Tom just didn't have the stamina to take care of Sally. She would need professional care.

Tom, being a smart and analytical type, decided that it was time he did some homework. How to pay for this care. What would the government pay through their Medicare? It turned out – not much. Tom suddenly realized that he and Sally would have to foot the bill. And it was a big one. What Tom and Sally didn't foresee was that they and their family were headed for a disastrous financial hit. Sally would stay in the nursing home for three years, at a cost of nearly \$300,000. And Tom started to think about himself. How many years might he face similar costs? Instead of providing a legacy for their children, the savings Tom and his wife worked so hard to build up and carefully invest over a lifetime of work were being drained by uninsured medical expenses.

### **Tom Decides to Help Others**

Tom was always a stand-up kind of guy. Before retiring and moving to Florida, he was always involved in the community. Oftentimes volunteering on projects to help others less fortunate. So, it was no surprise that Tom decided to help others from falling into the same trap that put such a burden on his and Sally's retirement savings. And what was his tool of choice? - Education. Tom decided to learn as much as he could about how to fund the expenses of uninsured medical bills. And he shared that learning with as many people as he could. He started giving talks in the central meeting room of his condominium association. His talks became quite popular and he started to draw an audience from miles around. Here are some of the things Tom shared.

## What is Considered Long Term Care?

Long-term care is usually defined as personal or medical assistance with the activities of daily living (ADLs), which include bathing, dressing, continence, eating, toileting, and transferring those who may require assistance because of weakness or medical apparatus.

### Assisted living

Assisted living provides help with bathing and dressing, medication reminders, and light housekeeping. It's designed to help those with minimal needs to remain as independent as possible.

### Home care

Home care can include companions to assist with housekeeping, cooking, and shopping. It can also include medical care provided by registered or licensed practical nurses. Home care can be part time or full-time, depending upon your needs.

### Adult day care

Provides social and health-related services during the day to frail, elderly, or disabled individuals in a community-based setting. Adult day care can offer relief for family members who are caregivers and is ideal for those who would benefit from a group setting outside the home.

### Nursing home

Nursing home services are mostly for those who need more intensive medical care, such as wound care, rehabilitation, or help with respirators or ventilators. Nursing home care may be temporary or permanent.

## What Are Your Odds?

As you grow older, your chance of experiencing physical or mental decline due to a medical condition or simply aging increases, as does your chance of needing extra care. A person turning 65 today has almost a 70% chance of needing long-term care services and supports at some point during the rest of their life. It's also likely that you will need care for an extended amount of time. The average amount of time people require long-term care services is 3 years, and 20 percent of today's 65-year-olds will need long-term care for more than five years (U.S. Department of Health and Human Services).

## Will the Government Help?

The fact is, many of us will need both medical and non-medical help as we age. While your medical treatments might be covered by traditional insurance, the long-term care that you will most likely need as you grow older simply isn't covered.

Tom and Sally thought, like many seniors, that their insurance would cover their health care expenses. Most seniors depend on Medicare for health care coverage, and it does cover most medical treatment and basic preventive care. But Medicare does not cover "custodial care." This is care that assists with activities of daily living (ADLs), like bathing, dressing, and using the bathroom.

Medicare only covers stays in a medical facility for an average of 22 days and up to 100 days if qualifying conditions are met. If you need to stay in a nursing home or other facility for an extended period, Medicare will not cover the cost. If you decide to move into an assisted living community because you can no longer take care of your home or your personal needs without some help, you will be responsible for the monthly rent and fees because Medicare does not cover those expenses either.

## What Are the Costs?

Long-term care expenses add up fast, especially when you consider the fact that many people need care over months or years. Consider these average costs for care that many adults seek as they age:

- A semi-private room in a nursing home costs \$225 per day, or \$6,884 per month
- A private room in a nursing home costs \$253 per day, or \$7,698 per month
- An assisted living facility costs \$119 per day, or \$3,628 per month
- At-home healthcare aide or homemaker services cost more than \$20 per hour
- One day at an adult day care center costs \$68

*Source: U.S. Department of Health and Human Services*

## The Single Question That Tom Urges Everyone to Ask Themselves.

At the very beginning of each of Tom's speaking sessions, he asks everyone in the audience to answer one simple question. Can you afford to take the hit? Can you realistically protect your retirement assets and income while covering long-term care costs? It only takes a short time for long-term care expenses to deplete a lifetime of savings. Your careful investments, a comfortable retirement for your spouse, and the legacy you plan to leave your children are all at risk if you require long-term care.

### Can you afford to take that hit?

For many the simple answer is "No, I can't afford to take the hit." For others the answer is, "Yes, I may be able to absorb the hit, but I don't want to." Some people turn to these traditional ways to pay for long-term care expenses.

#### 1. Personal savings

Your spouse or children will end up footing the bill, and they will need to sell assets and drain your savings and investments to cover the expense. Decide which assets you would sell first.

This includes CDs, mutual funds, individual stocks and bonds. Using your personal savings gives you the ability to choose the long-term care services you prefer. Long-term care expenses are extremely hard to plan ahead for. You don't know when you will require care, or for how long, how much it will cost in total, or how many years of living expenses you need to plan for if you require long-term care then recover. This makes saving for uncovered medical expenses nearly impossible.

Take into consideration the tax consequences of a large drawdown in one year. It could potentially impact your tax bracket and deductions.

#### 2. Retirement income\*

Distributions from your employer's retirement account, such as your 401(k), 403(b) or pension plan, could cover long-term care costs. You won't have to spend down other assets in your portfolio.

What happens if you require long-term care for several years, then recover? If you deplete your retirement savings, you may not have enough left to pay your living expenses. What if you require long-term care, but your spouse remains healthy and independent? Your spouse's comfortable retirement might no longer be possible because of retirement account withdrawals to cover your uninsured medical expenses.

*\* Make sure that you talk with your financial advisor about your needs for retirement income if you are considering using RMDs or other funds in your retirement accounts to purchase a long-term care solution.*

#### 3. Long-term care insurance

These policies provide specific medical expense coverage related to long-term care. While you may not have to spend down other assets with this insurance, you'll have ongoing premiums that vary depending on benefits and benefit periods. Also, if you never need care, the premiums may not be returnable.

#### 4. Family and friends

You may have relatives or companions who are willing to take on the responsibility of caregiver. Whether they provide assistance with transportation, meals and expenses, or take you into their homes and care for you on a full-time basis, caregiving can be an overwhelming experience. It could become an emotional and financial burden for your loved ones.

#### 5. Repositioning your existing assets

An increasingly popular option is asset-based Long Term Care policies. For many people these products have several benefits. They work by leveraging existing assets to help pay for Long Term Care expenses only if they are needed. These hybrid products combine life insurance and long-term care benefits. They have a degree of liquidity so if you need the money, you can get money back. If you need care, the death benefit is accelerated to provide tax-advantaged long-term care benefits that can be a multiple of the original asset. And, if Long Term Care expenses are not incurred, then the assets pass to your beneficiary – your family or favorite charity. Other common hybrid features are inflation protection options and a variety of covered expenses from assisted living to nursing home care.

## Next Steps

To explore the long term care options to find the approach that is right for you, seek professional advice from a representative that is licensed in the state where you live. ♦