Wisconsin Aging | Advocacy | Network

Core Member Organizations

- Aging and Disability Professionals Association of Wisconsin *(ADPAW)*
- Alzheimer's Association SE Wisconsin Chapter
- Wisconsin Adult Day Services Association *(WADSA)*
- Wisconsin Association of Area Agencies on Aging *(W4A)*
- Wisconsin Association of Benefit Specialists *(WABS)*
- Wisconsin Association of Nutrition Directors *(WAND)*
- Wisconsin Association of Senior Centers *(WASC)*
- Wisconsin Institute for Healthy Aging *(WIHA)*
- Wisconsin Senior Corps Association *(WISCA)*
- Wisconsin Tribal Aging Unit Association

The Wisconsin Aging Advocacy Network is a collaborative group of individuals and associations working with and for Wisconsin's older adults to shape public policy to improve their quality of life.

WAAN State Issue Brief

April 2019

Long-Term Care Investment Savings Plan:

A flexible, tax-advantaged savings vehicle to help us meet our future long-term care expenses.

WAAN's Position: Develop a tax-advantaged state long-term care investment savings plan to help adults of all ages plan and prepare for future long-term care expenses.

Need for a Tax-Advantaged Long-Term Care (LTC) Investment Savings Plan

According to the U.S. Department of Health and Human Services (HHS) Office of the Assistant Secretary for Planning and Evaluation (ASPE), about half (52%) of Americans turning 65 today will develop a disability requiring long-term services and supports (LTSS), which include basic activities of daily life. Last year ASPE reported, "On average, an American turning 65 today will incur $138,000 in future LTSS costs, which could be financed by setting aside $70,000 today.[1]" For those needing assistance for longer periods of time, the costs can be far greater – climbing into the hundreds of thousands of dollars. Health insurance, including Medicare, does not cover expenses for most LTSS, leaving many people trying to pay out-of-pocket. Those with low- to moderate-incomes may be ineligible for Medical Assistance and unable to afford long-term care insurance premiums.

Contributing to an investment savings account specifically dedicated for long-term care would provide adults of all ages an opportunity to build a reserve fund to help pay for future LTSS-related expenses. Contributions to a LTC savings plan will also communicate to future generations the importance of planning ahead to meet their own future long-term care expenses.

Purpose of a LTC Investment Savings Plan

The LTC Investment Savings Plan would be a flexible, tax-advantaged savings vehicle to help us meet our future planning goals and maximize our savings to help us address our long-term care needs in the way we desire. A designated investment savings account for long-term care would be preferred over a the more restrictive 401(k) and medical savings accounts.

Advantages of a LTC Investment Savings Program vs. Other Savings Options

Tax benefits of this fund would reflect eligible state tax exemptions, making the account an attractive investment. Account holders could determine the amount and timing of fund contributions (vs. having a mandatory monthly premium/contribution). With this control, account holders would be able to better manage their personal budgets.

Account contributions could come from several sources, such as family members, friends or interested parties, similar to Edvest, Wisconsin's college savings plan.

Once an account holder meets the criteria for long-term care needs, the funds could be used to pay for a range of long-term services and supports.

Since the funds could not be cashed in for other uses, any funds in the savings account would be excluded in determining financial eligibility for a state program (with the exception of Medical Assistance).

Account holders would be required to spend the money in their account to qualify for Medical Assistance.

Although not tied to employment, employers could offer employees the option to contribute to a LTC account through an automatic payroll deduction.

Should an account holder have a balance upon death, the balance could be used for outstanding medical costs and or/funeral expenses. Any remaining funds could pass to the account holder's beneficiaries for their own personal LTC Investment Savings Fund.

Eligibility for a Long-Term Care Investment Savings Account

To participate individuals, married couples, or domestic partners must be

- 18 years of age
- United States citizen or have United States permanent resident status.

A trust may also qualify for a LTC savings account if it is not a special-needs trust.

Oversight

A state agency, such as the Department of Health Services could establish and set policy for the LTC Investment Savings Plan. The department could then hire or contract for a manager who would promote the programs and oversee investments.

Wisconsin as a Pioneer

According to current information, Wisconsin would be a pioneer in offering a tax-advantaged long-term care investment program.

Reference: [1] https://aspe.hhs.gov/system/files/pdf/106211/ElderLTCrb-rev.pdf

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