

Farm Management

Long-term care takes long-view planning



Farm & Family

BY STACEY LEE

Key Points

- Planning includes reviewing a client's goals and risk tolerance.
- A review of health statistics may help a client considering options.
- Nursing home care averages \$4,000 to \$10,000 per month.

A RECENT column introduced the topic of long-term care insurance and whether or not to buy it.

As I mentioned, this topic surfaces in virtually every estate planning meeting, especially when there are significant farm and business assets that the client wants to preserve and pass down to future generations. This column will continue to lay the groundwork for the ever-important inquiry: "To buy, or not to buy, that is the question." I will address some of the more common discussion topics I have with some of my farming estate planning clients regarding long-term care planning, including client's goals, risk tolerance and evaluating scenarios.

In many estates of farming families, the most significant component of their overall net worth is the farming operation and farmland. We often refer to many of these estates as "land rich, cash poor." I tend to see farmers reinvest much of their cash flow back into their farmland — either by purchasing additional farmland or farming assets to grow their farming operation or by paying down their debt. Personally, I love to estate plan with those farming operations with smaller debt obligations because the planning options only increase without adding the concern of dealing with paying the debt while at the same time attempting to reach the client's planning goals.

However, this is not often the reality due to the fluctuating commodity prices, the varying costs of input expenses, and the significant financial investment needed when expanding a farming operation or purchasing farmland. Consequently, for many farming families, their estate's net worth is highly concentrated in the farming operation, not leaving much room for other means to cover the expenses associated with possible long-term care in an assisted-living facility or nursing home.

Understand the goals

Understanding a client's goals at the outset of an estate planning meeting is vital, especially when it comes to planning for long-term care expenses. Is the client's primary goal to preserve the family farm for future generations? Or, is it more important to the client to have peace of mind that he or she will not be an emotional, physical or financial burden on their family? Once the client's goals are

discussed and prioritized, we also need to assess the client's risk tolerance.

There are different organizations tracking statistics of the percentage of people that actually need or will need long-term care. Even further, of these individuals, how many will need to plan for an extended long-term care stay due to conditions such as Alzheimer's? These statistics are different for men versus women and depend on family longevity, genetics, etc.

I often play the "worst-case scenario" game. I realize this may be taking a slightly morbid look at what may happen in the future, but sometimes we just need to lay the cards on the table, right? So, if a client were to need long-term care in some capacity, we begin by looking at current annual income sources — Social Security, farmland cash rents, retirement account distributions, and interest and dividend income. Is this annual income enough to pay for the monthly costs of nursing home care — currently ranging from \$4,000 to \$10,000 per month?

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