Your Retirement Income May Be at Risk

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Ted and Martha had about $600,000 in their RRIFs generating the minimum monthly income of almost $4,000 before taxes. Then **disaster struck**.

Ted developed a cognitive impairment. Martha was able to look after him at home for a little over a year, but eventually had to place him in an extended care facility.

Depending on the province, even with government help, the additional monthly cost to Martha can range from about $1,200 to over $4,700 (Source: Province of Alberta website). In their case, it cost $2,500 per month for Ted's long term facility care.

Martha had to increase the RRIF income by $46,000 annually so that she had enough after taxes to pay for his care. **Even with a 7.5% return on their RRIF investments, the money was wiped out after just eight years.**

The Calgary Herald reported in September 2002 that a new long term care facility had recently opened and had only one bed available two months later. As the population ages, the under funded and over burdened public programs will face even more strain.

According to the New England Journal of Medicine, 43% of people who turned 65 in 1990 will spend some time in a nursing home before they die.

Long term care facility shortfalls aren't the only things to worry about. Most people like their independence and want the choice of staying in their own home as long as possible. A long term care facility is viewed as a last resort. Private nursing and personal support personnel cost money. According to Victoria Order of Nurses, a registered nurse costs $33 to $41 per hour; a medical services aid costs $16 to $21 per hour; and a personal support worker costs $22 or more per hour.

A better way to cover these costs can be found in Long Term Care Insurance. Available to people between the ages of 30 and 80, it pays a benefit directly to the insured when health or personal care services are required at the order of a physician. Benefits range from $10 to $300 per day, are paid after an elimination period is satisfied and in addition to government benefits. The elimination period is the number of days the insured must be under care. Payments can start on day one or after 30, 60, or 90 days, depending on the policy.

Some conditions must be met before a benefit will be paid. Typically, a policy will pay a benefit if the insured loses the ability to care for himself or herself due to a cognitive impairment or the inability to do two or more activities of daily living. The insured must also require professional assistance at home or the services of a long term care facility.

This article is for informational purposes and is not intended as specific advice.

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