MoneySense

One huge cost to factor into retirement plans

Private facilities and other forms of healthcare can be expensive

by Jonathan Chevreau
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Canadian seniors look to the health care system in the United States – currently under attack from the Trump administration – and breathe a sigh of relief about our universal health care system.

We can count our blessings, relatively speaking, but that doesn’t mean health care costs – including eldercare, nursing homes and the like – won’t be a significant out-of-pocket expense in our golden years.

A recent conference on this topic sponsored by Toronto-based TriDelta Financial drove this point home. A majority of seniors or soon-to-be retirees are concerned whether their finances will be able to stretch far enough to cover serious future health issues. According to Healthcare “Navigator” Virginia Miles, owner of Compass Health Care Solutions, 33% of Canadians are “very concerned” and another 39% are “somewhat concerned” about their ability to meet future healthcare expenses.

Furthermore, 81% find our health care system to be too complicated and 78% find navigating the system a challenge. One of the least understood subjects is which health conditions are actually covered by provincial health plans and which are not. While there may be some comfort for Canadians to know their provincial plans cover medically necessary physician and hospital services, once you go beyond those, things get a bit hazy. Miles says there is “limited coverage” of other services, some of which may only be covered by targeted special-interest groups such as seniors and those with low incomes, the disabled, aboriginals or members of the military.

Plus, there’s a long list of items or conditions NOT covered, including most dental care, glasses, chiropractic services, naturopaths and other forms of alternative medicine, and some prescription drugs. Those still working may notice many items on this list might be covered by their workplace benefits package but not necessarily once you’re retired (depending on how generous your employer package is for retirees). Included in the limited or partially covered list are nursing homes, home care, physiotherapy, and mobility devices.

Take for example, home care, which is partially covered for those who qualify. Consider the fact 8 million Canadians provide care for loved ones, with 8 in 10 of them finding it a difficult task. Miles says home care is considered an “extended” service under the Canada Healthcare Act and is 80% funded by the Ministry of Health and Longterm Care: the rest is privately provided, with hourly costs ranging from $25 to $125.

Retirement homes are privately owned and operated with prices ranging from $2500/month to $10,000/month or more, with services varying from few to advanced dementia care.

Nursing homes (which provide long-term care) are partially funded by the government, with access coordinated by the CCAC (Community Care Access Center). Typical prices are $1,795 to $2,564 a month co-pay for room and board and wait times can range from months to years.

TriDelta vice president and Wealth Advisor Matthew Ardrey says while many people are under the impression all their healthcare and assisted living needs will be covered by government, that’s not the case. “Even for a subsidized nursing home in a ward room, the average cost is $21,540 per year in Ontario. If you choose a private facility, the average cost in Ontario is $48,120 per year for a one-bedroom unit and this is before any additional personal care or nursing services.”

These kinds of problems often hit home for Baby Boomers who are part of the Sandwich generation, as they find themselves trying to deal simultaneously with child raising and caring for their aging parents. And of course, looming on the horizon are senior health care issues for the Boomers themselves. The trial run may be caring for our parents but next up are ourselves and our spouses!

Miles says 44% say managing chronic conditions is the most important patient navigation challenge they face: in addition to dealing with their own chronic conditions, many also are caregiving for aging parents or other loved ones that may be afflicted with one or more chronic conditions, such as diabetes, cancer or heart disease

Rising life expectancies are often viewed as a positive, as indeed they should be but as this column has noted in the past, the longer you live the more the financial challenge, especially at today’s still low interest rates. And while many can expect more years of top physical health to accompany our longer lifetimes – early in July, *The Economist* magazine had a special report on longevity and its implications —it’s also a sad fact that dementia is a growing scourge.

Already, 564,000 Canadians are living with Alzheimer’s disease and other forms of dementia, according to Anne Swift, First Link Coordinator for the Alzheimer Society of Hamilton and Halton. That amounts to 14.9% of Canadians aged 65 and older; and if nothing changes, the figure will almost double to 937,000 within 15 years. Add in spouses and caregivers and 1.1 million Canadians are affected directly or indirectly by dementia: one in five of those aged 45 or older already are providing some form of care to seniors living with long-term health problems.

And get this: a quarter of all family caregivers are themselves seniors. A third of them (more than 200,000) are older than 75! Between 2 and 10% of all dementia cases start before age 65. Plus, dementia can also afflict those considered still young: 16,000 Canadians under age 65 are living with dementia.

The numbers get even scarier once you reach the traditional retirement age of 65. The risk for dementia doubles every five years after age 65, according to Swift. Caring for those who suffer from dementia can inflict a considerable physical and psychological toll on family caregivers: Swift says up to 75% will develop psychological illnesses and 15 to 32% will be afflicted with depression.

Bottom line? While our healthcare system may be financially more comfortable than it is for Americans, there's no reason to be complacent and even less not to factor in significant costs into your retirement planning. This is one reason why TriDelta president Ted Rechtshaffen hosted the conference in two locations in June.

Taking the earlier example cited by TriDelta's Matthew Ardrey, if you went to the average private facility for five years and required an hour of personal care assistance a day (many need more than that) your cost would be almost $300,000. "Apply that number to a couple and your total is $600,000."

Someone who retires at 65 and needs $600,000 by 85 would need $226,000 at 65, assuming a 5% return. Adding 2% inflation and assuming the funds are in a TFSA, the present value at 65 grows to $336,000.

Some clients experience sticker shock when they realize this: in this case, the percentage of the total nest egg allocated to health care chews up more than a third of $1 million. Some may choose to defray these expenses with insurance, typically long-term care insurance, but Ardrey likes to incorporate real estate as a healthcare buffer. "If they are in a retirement home then they are not in their house. The house will likely at least provide an inflation buffer and if their principal residence, it will be tax free as well."

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