

## Retirement

# Saving enough money for full-time care in retirement

To know how much to set aside, you need to look at the bigger picture



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Aug 20, 2018



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**Q:** People are living longer lives. But when health becomes an issue, a retirement home or a home care provider can become a very big expense. What should I set aside to live a comfortable retirement while healthy, but also enough to maintain a cushion in the event we get sick and need full-time care?

—Carmen

**A:** Retirement is an amorphous concept. How you spend your time, how healthy you are, how much it all costs, and even how long it lasts, is unique to everyone. That said, from the time you leave full-time work, until the time you die, there are some common stages that retirees may go through. Each stage can vary in duration, and have very different cash flow requirements, especially if you end up needing full-time care.

The “Go Go” stage is the active retirement portrayed in the TV ads—gorgeous white-haired models spending lots of money as they ride around Tuscany on their Vespa. The “Slow Go” stage is when the rhythm is quieter, the location is closer to home and the expenses may decline. But it is the “No Go” stage that is the big question mark for many retirees. Deterioration in your health, or that of your spouse, can lead to astronomical costs that could last for years.

So, how do you figure out how much you need to save for the life you want in retirement, factoring in those three stages? This projection and the scenarios that go with it forms the foundation of any retirement plan. You have to look at it all together, instead of answering the health question in isolation. You can do the math on your own with resources online, or invest the money in a financial advisor to develop something more detailed.

Here are some of the variables to consider:

- Age: Your current age, retirement age, and age at death—so you know how long you need your nest egg to last.
- Performance: You’ll likely be investing your nest egg in the stock market—in a mutual fund or exchange-traded fund. How fast will those investments grow?
- Other Income: The calculators will ask you what other income you might have—say pension income or rental income.
- Income Required: You’ll need to calculate how much money you need to come, to support your life. Some expenses will fall because you’re not

working—no commuting costs or work wardrobe. But you may be travelling more and spending more on leisure activities in the “Go Go” stage. It is the “No Go” phase where the cost of home care or a retirement facility come into play. There are public options and private ones too— the latter being significantly more expensive.

Many retirees have to do this math the other way around. Their nest egg and pension are fixed and so they need to calculate what they can afford so they don't run out of money. But if you're fortunate enough to do this projection, factor in the best information you have and then monitor the plan as the years go by.