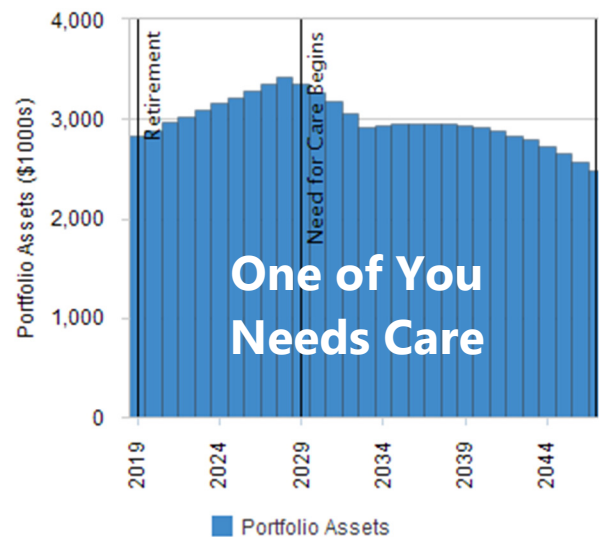
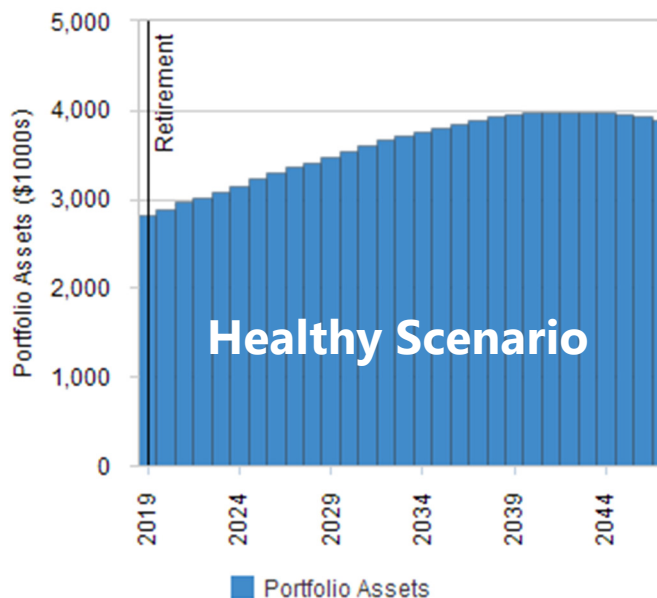


Healthy Scenario vs. Needing Home Care in 10 Years

Understanding The Cost to Self-Insure

Baseline Assumptions

- This couple is retired and live in California. They are both age 67 and expect to live to age 95.
- They have \$275,000 in cash, \$1 million in a trust account, and \$1.5 million in IRAs. The cash earn 0% interest and investments earn 6% a year (net of any related fees and expenses and income taxes).
- One spouse is receiving \$2,900 a month from Social Security and \$1,450 for the other (the spousal benefit). These are assumed to increase by 2% a year.
- The mortgage has been paid off and they don't carry any other debt.
- Their after-tax living expenses total \$120,000 a year after and inflate by 3% a year.
- The equity in their home and cash value of life insurance were excluded from the projections.
- They have decided to self-insure against this risk.



This scenario assumes the cost of care is \$275 a day in today's dollars and increases by 5% a year from today, starting in 10 years.

The costs are on top of all other living expenses.



Healthy Scenario vs. Needing Home Care in 10 Years

Understanding The Cost to Self-Insure

Year	Healthy Scenario				Need for Home Care in 10 Years			
	Total Inflows	Total Outflows	Net Cash Flow	End of Year Portfolio Assets	Total Inflows	Total Outflows	Net Cash Flow	End of Year Portfolio Assets
2019	\$52,200	\$153,404	(\$101,204)	\$2,823,796	\$52,200	\$153,404	(\$101,204)	\$2,823,796
2020	53,244	149,781	(96,537)	2,886,259	53,244	149,781	(96,537)	2,886,259
2021	54,309	148,273	(93,964)	2,960,835	54,309	148,273	(93,964)	2,960,835
2022	120,597	171,749	(51,152)	3,022,131	120,597	171,749	(51,152)	3,022,131
2023	125,504	173,204	(47,700)	3,086,759	125,504	173,204	(47,700)	3,086,759
2024	130,650	175,936	(45,286)	3,153,661	130,650	175,936	(45,286)	3,153,661
2025	136,047	179,716	(43,669)	3,221,950	136,047	179,716	(43,669)	3,221,950
2026	141,709	188,287	(46,578)	3,286,941	141,709	188,287	(46,578)	3,286,941
2027	147,649	193,501	(45,852)	3,351,816	147,649	193,501	(45,852)	3,351,816
2028	153,879	199,275	(45,396)	3,416,032	153,879	199,275	(45,396)	3,416,032
2029	159,961	205,344	(45,383)	3,479,280	159,961	334,594	(174,633)	3,350,030
2030	166,794	212,010	(45,216)	3,540,929	166,794	346,728	(179,934)	3,269,206
2031	173,412	218,852	(45,440)	3,600,733	173,412	359,283	(185,871)	3,172,276
2032	180,297	226,374	(46,077)	3,657,927	180,297	372,652	(192,355)	3,057,484
2033	187,456	234,176	(46,720)	3,712,101	187,456	386,479	(199,023)	2,923,328
2034	194,894	242,394	(47,500)	3,762,684	194,894	228,782	(33,888)	2,940,196
2035	202,616	250,901	(48,285)	3,809,201	202,616	236,437	(33,821)	2,951,828
2036	210,621	259,768	(49,147)	3,851,074	210,621	244,399	(33,778)	2,957,628
2037	217,938	268,562	(50,624)	3,888,128	217,938	252,501	(34,563)	2,957,137
2038	225,409	277,646	(52,237)	3,919,813	225,409	260,943	(35,534)	2,949,666
2039	233,016	286,959	(53,943)	3,945,606	233,016	269,578	(36,562)	2,934,631
2040	240,736	296,562	(55,826)	3,964,895	240,736	278,470	(37,734)	2,911,354
2041	248,541	306,389	(57,848)	3,977,096	248,541	287,547	(39,006)	2,879,185
2042	254,866	315,939	(61,073)	3,982,094	254,866	296,316	(41,450)	2,837,932
2043	261,050	325,612	(64,562)	3,979,365	261,050	305,169	(44,119)	2,786,996
2044	267,033	335,242	(68,209)	3,968,520	267,033	313,943	(46,910)	2,725,908
2045	272,752	344,937	(72,185)	3,949,042	272,752	322,745	(49,993)	2,654,066
2046	276,049	354,064	(78,015)	3,921,016	276,049	330,940	(54,891)	2,571,466
2047	278,831	363,198	(84,367)	3,883,957	278,831	339,102	(60,271)	2,477,530
2019	\$52,200	\$153,404	(\$101,204)	\$2,823,796	\$52,200	\$153,404	(\$101,204)	\$2,823,796

The couple could afford to self-insure for one of them to receive home care in this scenario.

However, the reduction in their portfolio may be over **\$425,000** in about 3 years and more than **\$780,000** within 5 years.

