Long-Term Legacy:  
Long-Term Care Insurance and Bequest Expectations among Older Americans  

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Abstract  

The main purpose of this study was to show whether long-term care insurance (LTCi) ownership was positively or negatively associated with the probability of leaving a bequest of $100,000 or more among older adults age 65 and above. This study also examined how health and wealth factors of adults influenced the probability of leaving a bequest among adults 65 and above. Understanding the effect of LTCi ownership on bequest motives among older adults is important because it can help answer some of the questions regarding how LTCi and the probability of leaving a bequest are related to insuring and ensuring inheritance. While previous studies have noted the shortcomings of LTCi, the results of this study can be telling to the needs of increased financial and consumer education on the topic of health care in retirement and legacy planning.

This study employed data from the 2010 Rand Health and Retirement Study. The descriptive results show that 54.3% of the sample reported the probability of leaving a bequest of $100,000 or more, indicating that bequest motives appear to be quite strong in the U.S. About 14% of the study sample reported that they owned LTCi. The results show that LTCi ownership was greater for those with a bequest motive (17.5%) than for those without a bequest motive (8.3%). The results of the logistic regression analysis suggest that, all else being equal, the effect of LTCi ownership on the probability of leaving a bequest of $100,000 or more was significant and negative, indicating that adults 65 and older who owned LTCi were less likely to report that they would leave a bequest of $100,000 or more when compared to older adults who did not own LTCi.

By examining the role of LTCi in the bequest expectations among older Americans, the findings of this study can provide implications for families, future retirees, financial educators, policy makers, and the insurance market. Where research has shown that adults with bequest motives do not own LTCi, it is suggested that because of its protective features, procuring LTCi can be considered one option for securing retirement funds and provision of bequests. For example, owning LTCi to protect against the expense of long-term care services increases the probability that there will be resources leftover to leave as a bequest, whether it is intentional or not. The findings of this study imply that individuals and families who are motivated to leave a financial legacy can opt to protect their accumulated assets from the eroding costs of long-term care services, while allowing them to sustain their lifetime consumption patterns in retirement and provide for a long-term legacy.

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