

# The Long Term Care Affordability Act

## The Problem:

- By 2030, 50% of individuals living past age 65 will need some long-term care.<sup>1</sup>
- Among households headed by persons aged 65 years or older, nearly 50% have insufficient financial assets to find a home health aid for one year.<sup>2</sup>
- Long term care ranks as the second greatest financial concern for Americans, only behind retirement savings.<sup>3</sup>

## The Solution:

Provide for favorable treatment of long-term care insurance through retirement accounts. The proposal would:

- Allow individuals to withdraw funds from their 401k, 403b, and IRAs to pay for long-term care insurance
- Exclude the withdrawal from income tax to the extent it is used to pay for long-term care insurance, up to \$2,500 annually
  - Also exclude the withdrawal from the 10% early withdrawal penalty tax

Individuals from across the income spectrum would be able to take advantage of this tax benefit. According to the Joint Committee on Taxation, over half of households contributing to retirement accounts have income of \$100,000 or less.

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<sup>1</sup> U.S. Census Bureau, Press Release, "Older People Projected to Outnumber Children for First Time in U.S. History," September 6, 2018

<sup>2</sup> 2019 Genworth Cost of Care Survey, 2016 Survey of Consumer Finances

<sup>3</sup> 2019 Insurance Barometer Report, LIMRA