Caring for Families:
The Role of Transfers

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Presentation prepared for “Families and Health: New Directions in Research and Theory,” Bethesda, MD June 1-2
What Types of Transfers

- **Cash** transfers
  - Parents to adult children
  - Children to their parents
  - Parental investment education
  - Bequests

- **Time** transfers:
  - Caring for elderly parents
  - Grandchild care

- **Transfers in kind**:
  - Co-residence, room and board
  - Gifts of durable goods (cars, home)
Questions Regarding Transfers

- **Why do families share resources?**
  - Altruism: \( U_p = U_p (C_p, V(C_k)) \)
  - Exchange / reciprocity: \( U_p = U_p (C_p, S) \)
  - Warm glow: \( U_p = U_p (C_p, T) \)
  - Evolutionary perspective

- **How are various types of transfers related?**
  - Are they substitutes or complements?
  - How do families decide which type of transfer to make?

- **When are transfers made?**
  - How do they vary over the life course
  - Do they flow in different directions at different times
Why Does Motivation Matter?

• **Distributional Issues / Equity**
  ▫ If transfers are compensatory, they may offset differences in resources and mitigate inequality.

• **Implications for well-being of the donor and recipient**
  ▫ Who really benefits and by how much?
  ▫ What are the true costs and benefits?
    • Loss of privacy, independence
    • Changes in labor market behavior that impact years later

• **Effectiveness of government transfer programs**
  ▫ Does the money “stick” with the intended recipients?
  ▫ Who really benefits?
Percent of Elderly Widows with Social Security Benefits (McGarry and Schoeni, Demography)
Average Social Security Benefit of Elderly Widows in 1990 dollars

Year


0 100 200 300 400 500 600

Graph showing the increase in average Social Security benefit for elderly widows from 1920 to 1990, with benefits rising steadily over time.
Social Security and Living Arrangements

![Graph showing the relationship between Average Social Security Benefit and Fraction of Elderly Women Living With A Child over the years 1920 to 1990. The graph indicates a decrease in the fraction of elderly women living with a child and an increase in average Social Security Benefit over time.]
Empirical Patterns

- Transfers to children:
  - How common are transfers and how large
    - Approx $60 billion / yr inter vivos transfers to kids
    - $180 billion / yr in bequests (to anyone)
  - How do transfers relate to income?
  - Does behavior differ wrt the type and timing of the transfer

- Transfers to parents:
  - How common are transfers and how large?
  - How do transfers relate to income

- The provision of long term care
- What is missing from our knowledge?
## Transfers to children

<table>
<thead>
<tr>
<th>Transfer type</th>
<th>Percent receiving</th>
<th>Mean amt</th>
<th>Mean amt not for type</th>
</tr>
</thead>
<tbody>
<tr>
<td>18+, not at home</td>
<td>13.8</td>
<td>$4,471</td>
<td></td>
</tr>
<tr>
<td>Transfers for home</td>
<td>12 percent</td>
<td>$10,872</td>
<td>$3,381</td>
</tr>
<tr>
<td>Transfers for school</td>
<td>20 percent</td>
<td>$6,198</td>
<td>$3,846</td>
</tr>
</tbody>
</table>

*Of those children receiving a transfer:*
Differences within family

<table>
<thead>
<tr>
<th>Number of non-coresident adult children</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Num Cases</td>
<td>915</td>
<td>1309</td>
<td>976</td>
<td>611</td>
<td>369</td>
<td>472</td>
</tr>
<tr>
<td>% give</td>
<td>25%</td>
<td>31%</td>
<td>32%</td>
<td>31%</td>
<td>28%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Of those giving to at least one child:

<table>
<thead>
<tr>
<th>% kids receive</th>
<th>100%</th>
<th>69%</th>
<th>50%</th>
<th>39%</th>
<th>29%</th>
<th>28%</th>
</tr>
</thead>
<tbody>
<tr>
<td>% same to all</td>
<td>100%</td>
<td>14%</td>
<td>5%</td>
<td>4%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Income and transfers negatively correlated

<table>
<thead>
<tr>
<th>Family Type</th>
<th>Corr in ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>All families</td>
<td>-0.157</td>
</tr>
<tr>
<td>Two-child families</td>
<td>-0.307</td>
</tr>
<tr>
<td>Three-child families</td>
<td>-0.097</td>
</tr>
<tr>
<td>Four-child families</td>
<td>-0.119</td>
</tr>
</tbody>
</table>
Variation over Time

• Substantial variation across time in receipt of transfers
  ▫ Half of children receiving a transfer in one year, do not in the next
  ▫ Correlation between amounts for those who receive in two consecutive periods is just 0.19

• Changes in transfers are negatively related to changes in income, maintaining strong negative relationship with resources

• Variation in “ranking” of siblings
Distribution of Bequests

- Bequests are typically divided equally (85-90%)
  - Using probate records
  - Using estate tax returns
  - In survey reports of existing wills
- Difference with inter vivos transfers is puzzling
  - Two types of transfers are substitutes
  - Not consistent with models wherein income places an important role.
  - No evidence that bequests are used to “reimburse” children for caregiving
Why are the Patterns Different?

- Bequests are public
  - But can use trusts, children redistribute estate
- Future incomes of children are uncertain
  - Unequal bequests w/ differences in capacity (disability)
- Social norms regarding behavior
  - Attorneys, financial planners suggest equal bequests
  - Default with intestate deaths so even more may desire equality
- Maybe inter vivos transfers are equal
  - Need long panel
When bequests differ, why?

- **Exchange / Reciprocity**
  - “___ takes care of me”
  - “Son helped maintain property”

- **Altruism**
  - “___ needs in more”
  - “Oldest son has more assets than youngest”

- **Evolutionary motive**
  - “___ is not really my child”
  - “Leaving nothing to step children”
Transfers for schooling

- More public than inter vivos transfers, less than bequests
- More equal than inter vivos transfers, less than bequests
Parental contribution to tuition
## Parental Level Transfers

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>Mean</th>
<th>Mean &gt; 0</th>
<th>Median</th>
<th>Median &gt; 0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inter vivos transfers in a given year (2000):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per child transfers</td>
<td>30</td>
<td>1,535</td>
<td>5,075</td>
<td>1,858</td>
<td></td>
</tr>
<tr>
<td>Total transfers</td>
<td>30</td>
<td>2,930</td>
<td>9,689</td>
<td>3,345</td>
<td>(3,496)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(11,561)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3,991)</td>
</tr>
<tr>
<td><strong>Schooling transfers (anytime, brought to $2000):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition / R&amp;B per child</td>
<td>63</td>
<td>10,116</td>
<td>16,070</td>
<td>9,881</td>
<td></td>
</tr>
<tr>
<td>Total tuition / R&amp;B</td>
<td>63</td>
<td>21,209</td>
<td>33,690</td>
<td>19,624</td>
<td>(25,306)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(40,200)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(23,415)</td>
</tr>
</tbody>
</table>
Transfers to Parents

• Tend to focus on home health care
• Children do make cash transfers
  ▫ Not always well measured
• Provide assistance with other tasks as well
  ▫ Managing money, chores, transportation
• Both time and cash transfers are related to need
  ▫ Positively related to need of parent
    • Financial need of parents for cash transfers
    • ADL / IADL limitations for time help
  ▫ Positively related to resources of child
• Co-residency
  ▫ One-quarter of elderly widows are living with children
  ▫ Who helps whom?
# Mean Transfers

## Wave 1 of the HRS

<table>
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<tr>
<th></th>
<th>Num</th>
<th>Prop receiving</th>
<th>Mean amt received</th>
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<td><strong>Cash Transfers:</strong></td>
<td></td>
<td></td>
<td></td>
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<td>To children 18+</td>
<td>16,678</td>
<td>13.8</td>
<td>$5,282</td>
</tr>
<tr>
<td>To parents</td>
<td>5,843</td>
<td>7.1</td>
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<td></td>
<td></td>
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<td>To parents</td>
<td>5,876</td>
<td>5.4</td>
<td>1,028 hours</td>
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<td></td>
<td></td>
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<td>5,876</td>
<td>5.4</td>
<td>1,028 hours @ $19 /hr = $19,500</td>
</tr>
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</table>
## Time vs. Money in transfers to parents

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt; (lowest)</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt;</th>
<th>3&lt;sup&gt;rd&lt;/sup&gt;</th>
<th>4&lt;sup&gt;th&lt;/sup&gt;</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>% giving any</td>
<td>11.0</td>
<td>18.1</td>
<td>17.4</td>
<td>19.7</td>
<td>15</td>
</tr>
<tr>
<td>% giving only time</td>
<td>5.9</td>
<td>9.1</td>
<td>5.5</td>
<td>6.8</td>
<td>8</td>
</tr>
<tr>
<td>% giving only cash</td>
<td>4.5</td>
<td>7.9</td>
<td>10.7</td>
<td>11.6</td>
<td>6</td>
</tr>
<tr>
<td>% giving both</td>
<td>0.6</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1</td>
</tr>
</tbody>
</table>
Co-residence

• Direction of transfer is unclear

• Sample of 70+ widows in the PSID
  ▫ 25% are living with an adult child
  ▫ One-third of these cases involve children who have never left the home
  ▫ About 20% of these children are disabled
    • Elderly women still providing care to a child
Complete Picture

• Transfers flown both directions and multiple currencies
• Our data and analyses typically focus on one type of transfer and transfers made at a single point in time → miss important components
  ▫ Do some children provide cash and some time?
  ▫ Are children treated equally over a life course?
  ▫ Are transfers to children later repaid in kind?
• Missing transfers between siblings
  ▫ Do siblings transfers offset differences?
Long Term Care

- Perhaps the greatest challenge in coming years
- Nursing homes average $75,000 year / $200 day
- *Not* covered by Medicare or Medigap insurance
- Few individuals have long term care insurance
- Long term care *insurance* doesn’t provide much in the way of insurance value
  - Want coverage for catastrophic expenses
  - Policies typically have daily and lifetime caps
  - Lack complete inflation adjustment
Role of the Family

• With little or no insurance coverage of long term care needs, families bear much of burden.
Figure 1
Distribution of Adults Receiving Long-Term Care at Home, by Type of Care (1994-1995)

- Both Formal and Informal: 14%
- Formal Only: 8%
- Informal Only: 78%

Note: Based on people age 18 or over who, because of disability or health condition, receive help from another person with activities of daily living or instrumental activities of daily living.
SOURCE: Health Policy Institute, Georgetown University, analysis of data from the 1994 and 1995 National Health Interview Surveys on Disability, Phase II.
Role of the Family

• With little or no insurance coverage of long term care needs, families bear much of burden.

• For unmarried elderly, much of this care is provided by children.
Figure 2
Characteristics of Informal Caregivers of the Elderly

- Non-relative: 7.5%
- Other relative: 26.1%
- Spouse: 23.4%
- Child: 41.3%

Role of the Family

• With little or no insurance coverage of long term care needs, families bear much of burden.

• For unmarried elderly, much of this care is provided by children.
  ▫ Assistance may be either financial or time

• Implicit value of time help is enormous.
Figure 3

Distribution of Informal Caregivers, by Hours of Care Provided per Week (1998)

- 8 or fewer hours: 45%
- 9-20 hours: 23%
- 21-40 hours: 12%
- 41 or more hours: 20%

NOTE: Based on people who provide unpaid help or arrange help for a relative or friend who is unable to do some things for herself or himself because of disability, illness, or aging.

Figure 5
Comparative Cost of Care (2000$)

Role of the Family

- With little or no insurance coverage of long term care needs, families bear much of the burden.
- For unmarried elderly, much of this care is provided by children.
  - Assistance may be either financial or time
- Implicit value of time help is enormous.
  - One estimate suggests $257 billion vs. $92 billion for nursing homes and $32 billion for formal home health care
- Caregivers are primarily female.
Fraction of Caregivers who are Female

**Graph:**

- **Axes:**
  - **Y-axis:** Fraction of Female Caregivers (0 to 90)
  - **X-axis:** Relationship

- **Legend:**
  - Spouses
  - Children
  - Grandchild
  - Child-in-law

- **Data Representation:**
  - Spouses: 70%
  - Children: 80%
  - Grandchild: 90%
  - Child-in-law: 60%
Outcomes for Caregivers

- Concern about labor supply
  - Decline in labor force participation
  - Decline in earnings growth
  - Effect on retiree benefits: pensions, health insurance
- Concerns about caregiver health
  - Increase in stress, depression, high blood pressure
  - Worse self-reported health
  - Little change in doctor diagnosed conditions
  - Need to examine long term effects / cumulative effects over time
- Is stress from parental need or actual caregiving?
- Or from sibling discord?
Other Outcomes

- Financial and health costs are large but other costs as well:
  - Time with own children for caregiver
  - Loss of privacy with co-residence for both parties
  - Loss of autonomy for recipient
  - Changes in geographic location either by parent or child
Future Role of the Family

• Elderly population is growing → increased demand for long term care
• Increases in cost of formal care
• Changes in disease specific mortality
  ▫ Fewer deaths due to heart attacks and cancer
  ▫ May lead to more chronic conditions and issues with respect to cognitive impairment
Future Role of the Family

• Families may not be able to continue to provide care at the same rate
  ▫ Fewer children
  ▫ Increase labor force participation of women
  ▫ Divorce: may effect husbands / fathers particularly hard
  ▫ Blended families: will step-children provide care?
Conclusions

• Transfers flow in multiple directions
  ▫ Not just downstream but upstream as well
  ▫ Don’t know much about transfers between siblings

• Transfers are made in multiple currencies
  ▫ Time (home health care, child care, chores)
  ▫ Money (inter vivos transfers, bequests, bill payment)
  ▫ Co-residence

• Different currencies exhibit different patterns and are made at different times
  ▫ Inter vivos transfers are compensatory
  ▫ Bequests are equal
  ▫ Time to those in need and provided by women
  ▫ Weak evidence of cash and time transfers substituting for each other
Directions for Future Research

• Need wide window of observation to examine variation in transfers over time, flows in both directions, distributional issues
• Need to examine the many currencies to understand transfers accurately
  ▫ Differences by demographic characteristics in forms transfers take
  ▫ Coresidence more likely among lower income
  ▫ Cash more likely among higher income
• Ignored sibling transfers
• Schooling transfers
## Mean Transfers

<table>
<thead>
<tr>
<th></th>
<th>Num of cases</th>
<th>Percent receiving</th>
<th>Mean Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfers to Children 18+:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children at home</td>
<td>2,639</td>
<td>30.3</td>
<td>$7,273</td>
</tr>
<tr>
<td>Children not at home</td>
<td>14,039</td>
<td>13.8</td>
<td>$4,471</td>
</tr>
<tr>
<td>Total</td>
<td>16,678</td>
<td>16.4</td>
<td>$5,282</td>
</tr>
</tbody>
</table>

Amounts in 2007 dollars.
## Family Fixed Effects

<table>
<thead>
<tr>
<th>Variable</th>
<th>Probability (12%)</th>
<th>Amount ($319)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std err</td>
</tr>
<tr>
<td><strong>Family Income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>less than $10,000</td>
<td>0.091</td>
<td>(.008)</td>
</tr>
<tr>
<td>$10,000-$25,000</td>
<td>0.066</td>
<td>(.005)</td>
</tr>
<tr>
<td>$25,000+ (omitted)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Highest grade</td>
<td>-0.000</td>
<td>(.001)</td>
</tr>
<tr>
<td>Owns home</td>
<td>-0.016</td>
<td>(.005)</td>
</tr>
<tr>
<td>Married</td>
<td>-0.022</td>
<td>(.005)</td>
</tr>
<tr>
<td>Num kids &lt; 18</td>
<td>0.011</td>
<td>(.002)</td>
</tr>
</tbody>
</table>
### Number (pct) receiving by year

<table>
<thead>
<tr>
<th>Year one status</th>
<th>Transfer</th>
<th>No transfer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer</td>
<td>882</td>
<td>1,237</td>
<td>2,119</td>
</tr>
<tr>
<td></td>
<td>(5.5)</td>
<td>(7.7)</td>
<td>(13.2)</td>
</tr>
<tr>
<td>No transfer</td>
<td>1065</td>
<td>12,930</td>
<td>13,995</td>
</tr>
<tr>
<td></td>
<td>(6.6)</td>
<td>(80.2)</td>
<td>(86.8)</td>
</tr>
<tr>
<td>Total</td>
<td>1,947</td>
<td>14,167</td>
<td>16,114</td>
</tr>
<tr>
<td></td>
<td>(12.1)</td>
<td>(87.9)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>

(Source: McGarry, NBER working paper 7953)
Variation among those w/ transfers

- Even for the 5.5 percent of children receiving transfers in both waves there is a substantial amount of variation
  - The correlation between the amounts is 0.19

- Within families there is also a substantial amount of variation
  - Rank children by the amount they receive in wave 1 (relative to siblings)
  - Rank again by wave 2 amounts
  - Correlation between rankings is just 0.29
## Change in income and transfers

<table>
<thead>
<tr>
<th>Change in Income</th>
<th>Change in Transfer Amount</th>
<th></th>
<th></th>
<th></th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Decreased</td>
<td>Same</td>
<td>Increased</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decreased</td>
<td>38.5</td>
<td>4</td>
<td>57.5</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Same</td>
<td>54.5</td>
<td>3.3</td>
<td>42.3</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Increased</td>
<td>61</td>
<td>3.6</td>
<td>35.4</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

(Source: McGarry, NBER working paper 7953)
<table>
<thead>
<tr>
<th>Family Income:</th>
<th>OLS Prob</th>
<th>OLS Amt</th>
<th>Family F.E. Prob</th>
<th>Family F.E. Amt</th>
<th>Child F.E. Prob</th>
<th>Child F.E. Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10k</td>
<td>0.086</td>
<td>284.3</td>
<td>0.091</td>
<td>229.0</td>
<td>0.039</td>
<td>145.4</td>
</tr>
<tr>
<td></td>
<td>(.009)</td>
<td>(48.1)</td>
<td>(.008)</td>
<td>(46.2)</td>
<td>(.011)</td>
<td>(72.5)</td>
</tr>
<tr>
<td>$10K-25K</td>
<td>0.069</td>
<td>149.6</td>
<td>0.066</td>
<td>128.8</td>
<td>0.025</td>
<td>58.1</td>
</tr>
<tr>
<td></td>
<td>(.006)</td>
<td>(32.6)</td>
<td>(.005)</td>
<td>(31.6)</td>
<td>(.008)</td>
<td>(50.3)</td>
</tr>
<tr>
<td>25,000+</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Schooling</td>
<td>0.006</td>
<td>40.7</td>
<td>-0.000</td>
<td>14.4</td>
<td>0.008</td>
<td>46.5</td>
</tr>
<tr>
<td></td>
<td>(.001)</td>
<td>(6.8)</td>
<td>(.001)</td>
<td>(7.8)</td>
<td>(.005)</td>
<td>(33.2)</td>
</tr>
</tbody>
</table>
Summary of inter vivos giving

- Transfers are compensatory
  - True within the family
  - True over time for the same child
- Large variation over time at child level
- Few other factors matter
  - No difference by sex of child
  - No difference by schooling level
  - Some differences with respect to grandchildren
- Do transfers “even out” over time?
Why do patterns differ?

1) Bequests are public and concerned above making children unhappy (Wilhelm, 1996; Bernheim and Severinov, 2003).

- Can “hide” distribution with trusts
- Are inter vivos transfers really hidden?
- Anecdotal evidence that children redistribute among themselves
Why do patterns differ? (cont’d)

2) Future income of children is uncertain, negative shocks may even out over time

• See unequal bequests when one child has a severe problem (disability) pointing to permanent difference in financial resources
Why do patterns differ? (cont’d)

3) Social norms about behavior

- Financial planners / attorneys writing wills suggest equality
- Default option is equal division
  - Sends strong signal
  - The 30% without will may desire equal transfers
- Differences in opportunity vs. outcomes
Family Fixed Effects

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cash ($176)</th>
<th>Time (5.3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coeff</td>
<td>Std err</td>
</tr>
<tr>
<td><strong>Parental Financial Status:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>-352</td>
<td>(127)</td>
</tr>
<tr>
<td>Very good</td>
<td>-300</td>
<td>(101)</td>
</tr>
<tr>
<td>Good (omitted)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Fair</td>
<td>108</td>
<td>(150)</td>
</tr>
<tr>
<td>Poor</td>
<td>421</td>
<td>(180)</td>
</tr>
<tr>
<td>Age</td>
<td>-17.2</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Own home</td>
<td>-153</td>
<td>(93)</td>
</tr>
</tbody>
</table>
LTC needs are common

- ~60% of those 65+ will use LTC at some point
- ~27% of men and 44% of women 65+ will enter a nursing home at some point
- Most stays are short but there is a long tail
  - 2/3 are 3 months or less, but avg is 3 years
  - Women average 3.7 yrs, men 2.2 yrs
- $169 billion in $2005 for formal LTC
  - $122 billion of which is for nursing homes
- But only 25% of those with functional disabilities live in nursing homes
- Much of care is formal care
Figure 2
Average Annual Premiums for Long-Term Care Insurance (2001)

<table>
<thead>
<tr>
<th>Age of Buyer</th>
<th>Base plan</th>
<th>With inflation protection</th>
<th>With inflation protection and nonforfeiture benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>$310</td>
<td>$641</td>
<td>$786</td>
</tr>
<tr>
<td>50</td>
<td>$401</td>
<td>$849</td>
<td>$1,022</td>
</tr>
<tr>
<td>65</td>
<td></td>
<td>$1,726</td>
<td>$2,261</td>
</tr>
<tr>
<td>79</td>
<td></td>
<td>$4,180</td>
<td>$5,821</td>
</tr>
</tbody>
</table>

$7,002

NOTE: Base plan provides $100 daily benefit for four years after a 20-day elimination period. Inflation protection increases benefit payments by 5% each year, compounded annually. Average premiums are based on data from eleven leading insurance companies, which represented 80% of all policies sold in 2001.