

# Do households have a good sense of their long-term care risks?

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## Executive summary

Many older adults will require some long-term care (LTC) later in life, with more than half needing intensive support, often for an extended period. The resources required to meet such high-intensity, long-duration needs—either informal support from family members or paid formal care—can be substantial. The questions are whether older adults understand their risks and whether the accuracy of their perceptions varies by socioeconomic characteristics.

Despite the large literature on LTC risks and insurance, little research has focused on whether individuals have a good sense of how much help they may need with daily activities as they age. Those who overestimate their risk could hold on to their nest egg and unnecessarily restrict their consumption in retirement, while those who underestimate their risk could experience unmet needs or need to spend down to qualify for Medicaid. This paper compares two measures of self-assessed LTC risks with objective probabilities of ending up with high-intensity care needs.

The first part of the discussion provides some background on LTC risks overall, how care is provided, and the limited research on self-assessed LTC risks. The second section defines how we measure objective and subjective risks. The third section assesses whether the available measures of subjective risks capture the same concept as the objective risks. The final section concludes that neither of the subjective measures are good proxies for objective risk. Nonetheless, examining how

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the subjective responses vary by demographics does provide some useful insights, specifically that Blacks and Hispanics appear optimistic about their future needs relative to other groups. And while women seem to be aware of average LTC risks, they may not realize that they face higher-than-average risks of needing care. These findings are concerning because these groups have the highest objective risks of needing high-intensity care and also have fewer resources to provide for this care.

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