

# Ambiguous Incentives for Self-Protection: Strategic Bequests and Long-Term Care Policy

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## Abstract

This paper introduces self-protection behavior and public long-term care (LTC) insurance into a family model with a strategic bequest motive, and analyzes how public policy affects caregiving and preventive behavior within the family. Parents provide incentives for children's caregiving behavior through bequests, while children choose the level of informal care. At the same time, parents endogenously determine the probability of becoming dependent through self-protection.

The analysis yields three main results. First, under strategic bequests, informal care is underprovided in the laissez-faire equilibrium. Second, self-protection is affected through multiple channels via its endogenous interaction with informal care, implying that the direction of its distortion is generally ambiguous. Third, when the government budget constraint is taken into account, an expansion of public LTC insurance reduces informal care.

These findings indicate that public LTC policy does not merely provide risk sharing, but also generates indirect incentive effects through family behavior. In particular, the results highlight the importance of accounting for the interaction between self-protection and informal care.