Don't "Crisis Manage"...

HAVE A PLAN

You are wise to have estimated your risk of needing long term care at about the same percentage as the rest of the population. No one likes to dwell on the possibility of needing care in a nursing home, an assisted care facility, at home, in the community, or any other type of long term care service. Perhaps that's why so many people in the past did not plan for long term care. Instead families would "crisis manage" when a family member developed a need for constant care. If you don't want your family to have to crisis manage when you need care, consider the following questions:

If you need long term care:

- Where will you get your care?
- Who will manage and coordinate your care?
- How will you pay for your care?

Today many Americans are aware that generally Medicare pays very little for long term care and that Medicaid only pays when you are impoverished. What's more, the Health Insurance Portability and Accountability Act of 1996 makes it a federal crime to "knowingly and willfully" transfer financial assets in order to qualify for Medicaid coverage of nursing home and other long term care services. One can only conclude that, if long term care is needed, the money will come from your savings. Unfortunately, many people's savings could not withstand several years of long term care costs.

Once on Medicaid, your choices for care are limited to only those homes that have voluntarily chosen to participate in this federal government program. These nursing homes may not be the nursing homes you would prefer for yourself or a loved one. So, if you feel Medicare and Medicaid won't adequately cover you, what is the solution?

About 70 percent of individuals over age 65 will require at least some type of long-term care services during their lifetime, while about one-third of today's 65-year-olds may never need long-term care services, 20 percent of them will need care for more than five years[10] at a national average cost of $75,190 a year.[11]

Is Long Term Care Insurance
THE SOLUTION?

Does long term care insurance make sense to you:

If the policy does what you want it to do?

☐ Yes ☐ No

If the premiums are affordable?

☐ Yes ☐ No

I have found that Americans young and old who purchase long term care insurance generally buy it because of one of the following reasons. Circle your main reason for wanting long term care insurance:

- I do not want to be a financial burden on my children, spouse or family
- I want quality care for myself or a family member
- I want to preserve my inheritance for my children or surviving spouse
- I want to plan ahead for retirement and get coverage in place

What Is An
AFFORDABLE PREMIUM?

I believe long term care insurance is affordable if you can purchase the coverage without affecting your lifestyle or depleting your retirement savings.

Would you agree with this statement!

☐ Yes ☐ No

Which of these four major risks have you insured?

Home fire and burglary insured?	☐ Yes	☐ No
Automobile damage and liability insured?	☐ Yes	☐ No
Hospitalization insured?	☐ Yes	☐ No
Long term care insured?	☐ Yes	☐ No

What risk, other than the cost of long term care, can you think of that would involuntarily force you to use your retirement savings?

If you're like most middle income Americans over the age of 45 long term care may be the only potentially major catastrophe left with no insurance plan. If so, long term care insurance is likely the last major insurance you will ever have to afford.

Where Should
THE MONEY COME FROM
To Purchase Long Term Care Insurance?

If you are still working and under 63 years of age you may be able to pay the premiums out of your disposable income. If you are retired and already depleting your retirement savings to maintain your lifestyle, long term care insurance is not for you. However, most of the seniors we talk to are more frugal than their children and have set aside some emergency money, often called "rainy day money" or a "nest egg." Again, most seniors have established a habit of reinvesting some, if not all, of their interest or earnings on principal. By now you may have concluded that the long term care expenses could severely deplete your savings. If this is true, wouldn't it be fair to say that your "emergency money" or "rainy day money" is really your long term care "insurance"?

ASK YOURSELF THESE QUESTIONS…

If you remained self-insured and you needed nursing home care or extensive home care today, how long would your emergency savings last before it was depleted?___ years

What if you needed long term care 15 years from now? How long would your savings and investments last? ___years

As we get older, saving and reinvesting should become less important and protecting our assets should become more important. Instead of reinvesting all the interest and dividends from investments, would it make more sense to use some of these funds to pay for long term care insurance instead of risking your entire nest egg? ☐ Yes ☐ No

WHAT IS AN APPROPRIATE PREMIUM?

Young long term care policyholders should be able to pay premiums out of their income now, and because premiums would be relatively low they should not have a problem at retirement. Older adults should consider long term care insurance as an investment protection vehicle, but the premiums should never negatively impact their retirement lifestyle.

Life is too short to worry daily about insurance premiums.

ELEVEN REASONS TO OWN A LONG-TERM CARE INSURANCE POLICY

Planning for long-term care is an easy thing to put off. Maybe you think it is too early. Maybe you just don't want to think about it. If you suffer a major health crisis that leaves you dependent on someone else and in need of long-term care, you'll be glad you planned.

With a Policy	Without a Policy
1. You have a professional to plan for your care at home providing covered services related to your particular sickness, illness, injury, or condition.	1. Someone in your family must make a decision about who will be caring for you, who will be paying, and where you will stay.
2. Your family can be part of the care plan but they will not have to be the planners.	2. Your family must find the caregivers that you need in order to stay home.
3. You will have benefits available to pay for covered long term care without having to deplete the family nest egg for your care.	3. Based on where you receive care you may have to spend between $60,000 and $100,000 a year out of your savings and income to pay for care.[13]
4. Your loved ones can carry on a more normal life.	4. Family members may be more involved with your care.
5. Your family will attend to your needs out of love instead of obligation.	5. Your family will have fewer options to deal with your long-term care needs.
6. You will be able to participate in choosing your own facility or stay at home, whichever is more appropriate.	6. You or your family may have to make choices based on your ability to pay rather than on your needs or preferences.
7. You may be able to stay home longer.	7. You may enter a nursing home prematurely.
8. You may be able to leave some of what you have worked hard for to your family.	8. You may have to use up a large portion of your assets to pay for care you need.
9. You may be able to stay with your children without depending on them for all of your care.	9. Because the children have busy lives they may not be able to keep you in their own home AND provide for your care.
10. You can feel good knowing that the money you have worked hard to attain will not be used up in a few short years by paying for care in the end.	10. The biggest reason for financial failure among seniors today is the cost of long-term care.[14]
11. Potentially less friction between family members. One family member won't have the full burden of care giving.	11. Family members may disagree over who and how to provide your care.

FACT:

The Bureau of Labor Statistics predicted that by 2030 the annual cost of a semi-private room in a nursing home will reach $190,600.

FACT:

Nursing home costs have increased by an average 4% compounded annually over the last 5 years according to the Genworth Cost of Care Survey. The national average is $209/day for skilled nursing care. At this rate, the costs of long term care could almost double every 16 years. That means that care today that costs $60,000/year could cost as much as $240,000/year 32 years from now. [12]

OKAY, LONG TERM CARE INSURANCE MAKES SENSE.

NOW WHAT?

After you have determined where the money will come from to buy long term care insurance, you must decide from whom you will purchase, or whom you should trust. There are not many experts in the field. In fact, most agents represent several companies and offer many different types of insurance policies. They derive very little of their income from the sale of long term care insurance and may not be adequately prepared to help most people choose the most appropriate long term care insurance plan. Likewise, financial advisors are generally more interested in reinvesting as much of your money as possible. I believe your best help will probably come from a fulltime career insurance representative who specializes in long term care insurance. If you have a tendency to not trust anyone, then get the answers to the questions on the next page. If the questions are answered satisfactorily, they can help you make an informed decision. I believe there are four considerations when purchasing long term care insurance:

1. The company. If the company you choose to do business with has very little to no experience in long term care insurance, you may be the one to suffer. You must feel comfortable that the company you choose will be around to pay your claim.

2. The policy. Policies vary tremendously. You may think you're comparing apples to apples but you probably aren't. Scrutinize the following pages to be sure you are getting the policy benefits you expect.

3. The Plan: Different agents offer different plans. It will be up to you to determine if the plans make sense. Does the plan take into account what the cost of care will be 15 years from now, or will you be stuck with paying a larger-than-expected share of the cost of care? Will you have to buy more coverage at a higher price over the years to come in order to keep up with inflation? Will the plan pay for the average expected care a person your age is likely to receive before death?

4. The price. The old saying, "You get what you pay for" definitely applies here. Price is a function of how carefully a company underwrites, its profit objectives and its willingness to increase the premiums on existing customers five to ten years after purchase. If the company has had rate increases or if it has only been offering long term care insurance for a few years, you would be smart to think that rate increases are down the road, especially if the premiums seem low now.