

Six Facts



MUST KNOWS BEFORE

You Buy Long-Term Care Insurance



Helping you insure your retirement plan

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Know the risks and costs.

Most of us are in denial and don't believe we'll ever need long-term care. **Yet 70% of us who reach age 65 will experience a long-term care event before we die,** according to the U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information.

Our brains are wired to be optimist. The thought of going to a nursing home is intolerable. Our minds play tricks on us. We think that because our parents did not need long-term care or because we exercise and eat healthy meals that we'll dodge the long-term care bullet. Pacemakers, DNA-customized medications and advanced technologies like gamma knife surgery mean many of us will live very long lives. It's counterintuitive, but the longer we live, the greater the likelihood of needing care. And, we are living longer, much longer.

The cost of long-term care astounds most people. **One year of care often exceeds \$75,000, the nation's average yearly cost for a private room in a skilled nursing facility.** In many areas of the United States costs already exceed \$100,000 a year. Extensive home care exceeds these costs.

Compounding the high cost of care is the length of time care is needed. An average care event when care is provided at home lasts three to five years. An average facility stay is now about three years. In the case of Alzheimer's, which affects half of our seniors ages 85 and older, care may be necessary for nine years, possibly longer. The math is simple. The cost is staggering.

✓ ***The likelihood of needing care is greater than not. The cost of care is already high and rising at twice the annual rate of inflation.***

In light of the risk and expense of eventually needing care, we recommend for those clients who choose not to purchase long-term care insurance, a specified fund of \$250,000 or greater, per person, be set aside to pay for care. This fund must be able to earn 5% after taxes for as many as 30 or 40 years in order to pay for the average long-term care event.

✓ ***Long-term care insurance (LTCI) allows policyholders to do other things with the money that would otherwise be set aside to pay for care – fund college expenses, pay off mortgages or invest more aggressively.***

Why is long-term care insurance unique? Most of us employ a number of asset protection

strategies. We wouldn't drive a car without auto insurance or own a home without homeowner's insurance. But few of us have protected our assets and the income derived from those assets with long-term care insurance despite the overwhelming odds of one day needing care. The likelihood of experiencing a catastrophic homeowner's event is quite low – one claim to about 1300 policies. The likelihood of experiencing a long-term care event is quite high – greater than one in two! Industry pundits now explain long-term care insurance as an expense transfer strategy rather than a risk transfer strategy.



Know the three ways to pay.

There are only three ways to fund long-term care expenses:

- 1) **You can self-fund expenses.** Long-term care expenses can be paid "out of pocket." This means paying with your own assets and income.

This may result in liquidating assets at an inopportune time like selling real estate in a down market or cashing in retirement plans, selling

stock, or draining bank accounts. Any of these transactions may result in negative tax consequences.

✓ ***"Self-funding" means that money that was intended to support the family or a surviving spouse, endow a charity or transfer wealth to the next generation may no longer be available for these purposes.***

- 2) **You can rely on Medicaid to pay your expenses.** Qualifying for Medicaid requires that you spend down assets and income in accordance with government requirements.

Medicaid has general, financial and medical requirements. To qualify financially, you must spend down your assets. A single individual may not have more than \$2000 in a cash reserve. Relying on Medicaid means you put all of your care decisions in the government's hands. It will determine what assets you may keep, where you will receive care and who will provide care.

Medicaid cutbacks may make qualifying for long-term care assistance even less desirable in the future.

- 3) **You can fund with the benefits of a long-term care insurance policy.**

LTCI is specifically designed to fund long-term care expenses – assistance with activities of daily living such as bathing and dressing, supervision due to cognitive impairment and homemaker services like meal preparation. LTCI empowers policyholders to choose where care is received and who provides the care.

- ✓ ***Securing LTCI coverage alleviates anxiety for families as they no longer have to worry about who will provide care or how to pay for it.***

Medicare and private healthcare insurance provide very little in the way of long-term care benefits. Veterans' Administration benefits may provide some assistance if the veteran was on active duty or injured during war time.



Know good health is your ticket to a policy.

Your right to purchase a long-term care insurance policy depends on your good health. You may be denied LTCI if you are not in good health when you apply.

- ✓ ***Long-term care insurance is medically underwritten. During underwriting the insurance company may***

review your medical history and prescription records.

Clients in their forties often feel young and healthy. They are focused on other financial issues like college tuition for children or saving for retirement. Yet age 40 is not too young to consider long-term care insurance. Age-related diseases and other conditions such as obesity, diabetes, musculoskeletal issues and cancer are common and may prohibit you from qualifying for coverage.

The insurance application form will ask detailed questions about health conditions, height and weight, medications, prior conditions and treatment protocols including surgeries. In many cases conditions as simple as currently receiving physical therapy or being considerably overweight will disqualify clients from consideration.

- ✓ ***Age forty is not too young to apply for coverage. In the U.S. today, 41% of those receiving long-term care are working age adults and the primary reason for their care is auto accidents.***

Clients in their fifties and early sixties often place a strong priority on building their retirement plans and fail to secure long-term care insurance while they are healthy and

insurable. Ironically, these clients expose all of their retirement income and assets to a long-term care event.

Securing LTCI is always a balancing act between cost and coverage. How much coverage is needed to protect assets? Coverage needs to be affordable as LTCI should be purchased with the mindset that it is a life-long commitment.

- ✓ ***LTCI is an age-based product. Generally, the younger you are, the healthier you are and the more likely that you will meet the underwriting guidelines. And, the younger you are, the less expensive premiums will be. Buying at a younger age saves money, a lot of money over a lifetime.***

Although some clients can pass underwriting requirements well into their seventies and occasionally mid-eighties, as we age insurability becomes more challenging and premiums more expensive.

When cash flow is tight, older clients sometimes ask their children to help pay for their LTCI. Although this can initially be a difficult conversation, children's own financial security may be at risk if they need to pay for a parent's care. Children providing the "hands on" care to their aging parents often

sacrifice their own careers.

Caregiving impacts entire families – children, spouses and grandchildren. Many children will gladly help pay for LTCI allowing parents to stay at home and children to oversee care, rather than providing the hands on care.

- ✓ Care-giving may require three eight-hour shifts a day and is often required within the first 30 minutes of waking. The average duration of informal caregiving provided by friends and family at home is between three and five years.



Know the common excuses and fallacies.

Which of these excuses about LTCI have you heard?

My spouse will take care of me.

Let's hope your spouse outlives you and is around to provide care. So many times we've heard this reasoning from a big, burly guy whose wife is petite and might weigh half of his weight if sopping wet. Just imagine her, aged and frail, trying to lift him off of the floor after he's fallen.

When care can be scheduled, like assistance with bathing and dressing, a spouse providing limited care on a short-term basis can make sense.

However, long-term on-demand assistance with activities of daily living or supervision due to cognitive impairment requires full-time assistance or supervision. In this case, care provided by a spouse will eventually need to be supported by other family members or paid caregivers.

The caregiving spouse may also have his/her own health concerns, may not have the strength for the physical tasks such as support and lifting, or may lack the endurance required to wake at night to provide care.

- ✓ *Paid care usually becomes the only viable long-term option. Once paid care becomes necessary family assets and income are exposed.*

My kids will take care of me.

Most children do want to care for their parents as they age. They simply don't yet understand how big of a job it is or how disrupting to their own lives it can be. Children may need to quit their jobs, relocate to live closer to or with parents, and be prepared to provide round-the-

clock assistance for extended periods.

Research shows that working caregivers on average lost over \$689,000 in wages and benefits, pension or 401(k) contributions, Social Security benefits, etc.

Siblings often disagree on the level of care required and whose job it is to do what. After a few months of caring for a parent, children seek assistance and paid care usually becomes necessary.

Many parents are uncomfortable uprooting their children's lives. Assisting with intimate aspects of care changes the dignity of relationships.

If I never need care, the premiums will have been wasted.

- ✓ *Some clients resent the “use it or lose it” proposition of insurance. Today, there are products and riders available that address this issue.*

Traditional LTCI policies can be designed with a Return of Premium rider that will refund premiums paid, less any benefits paid, to the policyholder's estate upon death.

Other riders that mitigate the use it or lose it complaint include a Shared Care rider that allows a couple to share the benefits. This increases

the likelihood that at least one spouse/partner will use the benefits. A Survivorship rider provides for a paid-up policy for the surviving spouse upon the death of the first spouse or partner. There are specific requirements that must be met for this to be in effect, but the benefit is that there are no future premiums.

Life insurance based long-term care solutions will pay the policyholder in one of three ways: 1) death benefit if long-term care is never needed, 2) long-term care benefit if care is needed, or 3) cash value of policy if the policyholder terminates the policy. We like to say, “Live, die or quit, there’s a benefit.” Certain annuities designed to cover long-term care expenses perform in the same manner

My advisor says I don’t need it.

Planning to self-fund the cost of care and actually writing the checks are two different things. Frequently, those who are in a position to pay for care “out of pocket” are able to do so because they have made thoughtful money decisions all their lives. When they see their lifetime savings eroded and the impact it has on the family, it is devastating.

- ✓ ***Extensive home care lasting beyond three years and high-end assisted living can easily exceed \$500,000 per person today.***

Most advisors are not familiar with long-term care risks and expenses or how they will increase over time.

Occasionally an advisor will suggest saving the money spent on LTCI premiums and investing to pay for long-term care. There are three big problems with this investment strategy:

1) **When care might be needed.** If a long-term care event happens tomorrow, or even in 15 years, significant earnings may not have materialized.

2) **How long care will be needed.** Even if premium expense is saved and invested, the returns necessary to generate enough money to pay for care are not guaranteed.

3) **Tax consequences.** Investments are taxable. The benefits of tax-qualified LTCI policies are tax-free to policyholders. Same with a death benefit or long-term care benefits paid from a life insurance policy.

Just Shoot Me!

It is not unusual for clients to say, “When the time comes, just shoot me. I’m not going to a nursing home.” Don’t let the fear of a nursing home prevent you from buying LTCI. This insurance is designed to maintain standard of living, quality of life, and enable

policyholders to remain in their own homes.

- ✓ *Some 70% of LTCI claims begin and end with home care meaning that policyholders received all care in their own homes.*

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Know an expert.

Long-term care insurance is complex. There are multiple carriers offering multiple products with multiple options.

Some carriers offer traditional pool-of-funds products that reimburse for covered expenses. Others pay the policyholder cash benefits.

Asset-based or hybrid solutions including life insurance or annuity based products are also available. It is possible to exchange an existing asset-based product without long-term-care benefits for a policy with long-term care benefits without creating a tax event.

While it may be tempting to work with your financial advisor or property and casualty insurance agent to secure your long-term care insurance, you owe it to yourself to

work with an expert. Work with an insurance producer who:

- Holds the CLTC (Certified in Long-Term Care) designation.
- Focuses exclusively on long-term care expense planning.
- Represents multiple top-rated companies and the full range of products in the market today.
- Is able to share with you the current and projected costs for home care, assisted living and skilled nursing facilities in your city.
- Is familiar with the specific insurance regulations in your state.
- Is Partnership certified.

Every insurance company has health and premium “sweet spots.” One company may consider an applicant for a “preferred” health discount while another will not. One may increase rates for older applicants while another actually discounts rates.

- ✓ *Your long-term care specialist must have direct access to underwriters to prescreen medical conditions and shop for the best products and premiums for you.*

Most states now offer Partnership Policies that protect your assets from Medicaid spend-down requirements. Your long-term care

specialist must be Partnership certified to explain and sell these policies.

Many long-term care specialists do not work with enough top-rated insurance companies to design the best plan for you. Work with a long-term care specialist who represents at least five top-rated companies.



Know that you can't afford to wait.

We know, we know. You just are not ready to focus on long-term care insurance yet. But, it can't wait. Really!

We know it sounds dramatic, but we field calls daily from those who want and need LTCI and it's simply too late. Our health and therefore our insurability can change in an instant. Even a seemingly small health problem could prevent you from qualifying for a policy. The result being that self-funding and/or qualifying for Medicaid become your options.

Putting off planning for long-term care expenses today could result in changes to your standard of living and family wealth forever. Don't delay.

Gurley LTCI is a general insurance agency specializing exclusively in long-term care insurance solutions.

We believe that planning for long-term care expense is an important component of financial planning and critical to financial security in retirement.

Our mission is to safeguard clients from the expense of long-term care by educating them about the issues surrounding long-term care and providing appropriate insurance solutions.

If you are ready now to take the next step in long-term care expense planning, please complete the [Complimentary Consulting Form](#). One of our LTCI specialists will call you within two business days.