7 Real Life Stories and the LTC Insurance Answer

How the variety of Long Term Care Insurance products in today's market can offer a solution for just about anybody planning for their future long term care needs.

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Why is long term care such an issue today?

In 2030, when all the baby boomers will be age 65 or older, they will represent nearly 1 in 5 people in the U.S. population. The sheer numbers put a growing strain on the human and financial care-giving resources.

The stories in this guide are about the decisions people of all types are trying to make about their potential need for long term care. They demonstrate how the wide variety of products in today's insurance market can offer solutions to suit just about any personal situation or preference.

Plus, the "6 Ways You Can Save Money on Your LTCI Premium" at the end will give you some checklist items to help when you begin considering the best long term care insurance for you.

Disclaimer: The information in this document is very general in nature and not meant to provide specific recommendations. No decisions should be made or action taken regarding any personal insurance transactions without a detailed analysis of your individual circumstances and the actual provisions of any policy being considered, by a qualified Long Term Care insurance professional, and legal and accounting professionals as warranted. The views expressed are those of Nash Financial Partners, Inc. and not those of any particular insurance company. V6

#1 - "The most important things to us are to get the quality of care where and when we want it, and to protect our retirement money."

Mike and Diane are in their mid-fifties and are in good health. They have managed to build a pretty good nest egg. They're projecting that their savings, along with a pension and their Social Security, will generate a comfortable income when they retire. They are well aware of the risk to their retirement savings and expected income level if one or both of them needed long term care. They have seen family and friends experience the financial and emotional cost of needing care and of being care-givers.

Mike and Diane have several priorities if they need long term care:

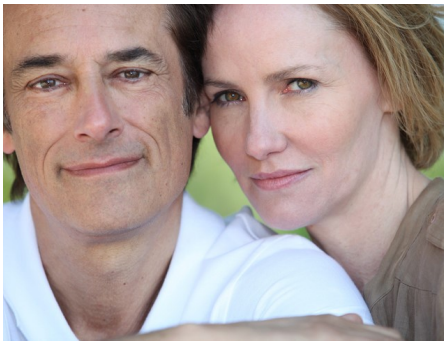
- Maintain their independence.
- Stay at home as long as possible.
- Protect their retirement money and assets.
- Not be a burden on their family.

The LTC answer:

Mike and Diane are a classic situation for traditional Long Term Care Insurance (LTCI). A traditional LTCI policy allows them the most flexibility in designing the benefits that most exactly suit their needs. It is designed to provide long term care benefits at the lowest premium for the amount of pure long term care benefits that it pays. Traditional LTCI policies let them choose how much money they want to receive per day, how long they want to receive it, when they want it to start, how much they want the benefit to grow over time, and offers other options advantageous to couples. Some policies would also let them pay family members or friends if they help take care of them at home.

> *"70% of long term care insurance benefits are paid for care at home."*

#2 - "What if I buy long term care insurance and never use it?."



Robert is 51 and Sheila is 48 and they are considering going ahead now with buying long term care insurance. They recognize the advantages of buying while they are younger and very healthy, in order to take advantage of the lower premiums and have the peace of mind of having coverage in place sooner. However, one thing they question is that if they eventually want to terminate the policy for some reason, or if they pass away without using their policy benefits, do they or their heirs get anything out of it?

The LTC answer:

Traditional Long Term Care Insurance (LTCI) is a health insurance policy and like other health policies, or home and auto policies for that matter, it is intended purely to reimburse them for their covered costs at the lowest premium possible. It is pure insurance. However, now there are other ways to buy LTCI that offer benefits beyond just paying the cost of their long term care services.

One popular alternative is life insurance with long term care benefits included. Starting with a Universal Life policy as an example, which provides the inherent benefits of cash value accumulation and a death benefit, a rider can be added for the long term care benefit. The policy can now pay their long term care costs up to the face amount of the policy if needed; pay the death benefit to their beneficiaries if not used for long term care; and, if the policy is no longer wanted or needed without using the benefits at some point in the future, the cash surrender value could return some or all of the premium paid to that point.

> *"Long term care and life insurance benefits in one policy"*

For Robert and Sheila, this means their policies will always return a valuable benefit for the premiums they pay, either to them during their lifetimes or to their family if they are gone. The combination of living benefits and death benefits in these new policies makes this possible.

#3 - "We've saved enough money to pay for what we need. Why would we want long term care insurance?"

Gilbert and Maria are approaching retirement and have done well. They are looking forward to a financially secure retirement and have even earmarked a good amount of money to pay for their long term care costs if needed. If they have already set aside money specifically for long term care, why would they want to buy Long Term Care Insurance (LTCI)?

The LTC answer:

In recent years a new type of long term care insurance policy has been created, referred to as "asset-based LTCI". The base policy can be either a life insurance policy or an annuity, both typically funded with a single premium.

Here is an example of how it works: For a couple around age 60 in good health, assume a single premium deposit for each spouse of $75,000. If long term care is needed, each policy could provide the insured with total long term care benefits of $250,000 to $300,000 or greater, with the monthly benefit $4,500 or more. If the long term care benefits were never used, when they pass away the policy would pay a tax free death benefit to their beneficiaries in excess of the original single premium. If they wanted to surrender the policy before using the long term care benefits, they could get their premium money back.

For Gilbert and Maria, this means instead of just using their money dollar-for-dollar to pay for their long term care expenses out of pocket, they could multiply their money several fold for long term care expenses. If they never used the benefits they could get all their money back or let it pass it on their heirs income tax free. Also, by multiplying their money for long term care expenses, they would not have to "earmark" as much money for potential LTC, freeing up funds for other uses.

#4 - "I have enough money to cover my long term care costs for a while, but I'm afraid if I have to turn to Medicaid I'll be forced to spend all my money and not be able to pass anything on to my kids."

If Francis needs long term care in the future, she wants to maintain her independence and control of how she receives care as long as she can, but she realizes that she could potentially have to turn to Medicaid for assistance. Her savings would not last long if she had to pay for long term care out of pocket, and she thinks she can afford at least some insurance if that would help. If possible, she wants to preserve the assets she has, to pass on to her kids. But, she's heard that if she uses Medicaid she would have to spend all her assets first.

The LTC Answer:

Few people aspire to go on Medicaid for their long term care needs, however sometimes it becomes necessary. Medicaid's financial eligibility rules require recipients to qualify by first exhausting virtually all of their personal income and assets, or assign them to the state, in order to receive long term care benefit payments. Additionally, the state can "recover" the money Medicaid pays for their long term care from their estate at their death.

To help encourage people to plan for their own long term care needs and to help relieve financial pressure on the Medicaid system, state "Long Term Care Partnership Programs" were created. Partnership Programs are primarily for people who have assets they want to protect but who may not have the money to pay for all of their own long term care out-of-pocket, or to buy a long term care policy that would fully cover their potential long term care costs. By purchasing a Partnership qualified Long Term Care Insurance (LTCI) policy they can know that some amount of their assets will be protected for themselves and their heirs in the event they eventually have to turn to Medicaid for assistance.

Here's how it works: Let's say Francis could afford to buy a policy that paid her a total of $150,000 of benefits over a couple of years. If she went on claim, and used all the benefits in the policy, she could apply for Medicaid assistance. If the LTCI policy was Partnership qualified, she could protect $150,000 of her assets and not be required to use those assets first before becoming financially eligible for Medicaid. Furthermore, after she passed away, the $150,000 of assets would also be protected from any cost recovery effort from Medicaid against her estate, and could still pass to her heirs.

#5 - "I don't know if I can qualify for long term care insurance coverage because I have some health problems. Is there anything I can do to make what money I have set aside for long term care last longer?"

Louise has developed some health problems in recent years, and although they are not life threatening or keep her from her normal activities now, she is concerned that she can't get long term care coverage. If she can't qualify for some types of policies, does that mean there isn't anything available for her?

The LTC Answer:

Today there are policies available that can fit into a "range" of health guidelines to qualify for coverage. "Traditional" long term care insurance, which is typically the lowest premium for the amount of pure long term care benefits, can require the best health in order to qualify. If Louise has set aside some money earmarked for long term care expenses, there are single premium life and annuity products that enable her to multiply her money for long term care benefits, and they are often easier to qualify for than traditional LTC insurance. There are "short term" policies that can also be easier to qualify for that can supplement home care and other expenses. Finally, there are annuity policies that can provide easier qualification for the LTC benefits, and could even provide some long term care benefit in excess of her premium and accumulation account, with no health questions.

The important thing is that even though she has some health issues that she thinks might prevent her from getting long term care benefits of any kind, there are a "range" of solutions, based on the degree of health issues, that may offer a valuable benefit. To find out what benefits she may qualify for, Louise's detailed health information should be closely analyzed.

#6 - "I have a pretty big IRA account I don't really need for current income. I could just use that if I have a large long term care expense."

Charles has a pretty good amount of money in his IRA. He hasn't decided yet whether to begin using it for retirement income, or leave it for his family and just take the Required Minimum Distribution (RMD) as taxable income starting at age 70 ½. He also views the IRA account as a rainy day fund in the event he has a catastrophic expense, such as long term care. Why not just use it to pay directly for his long term care expenses if he needs care?"

The LTC Answer:

Regardless if Charles is planning to use his IRA as a part of his regular retirement income stream, or holding it to pass on to his beneficiaries and just take the required minimum distributions (RMD) beginning at age 70 ½, the decision whether or not to use his IRA money to pay directly for long term care is the same as that of using non-qualified savings "earmarked" to pay for LTC described in a previous story. Why pay for long term care expenses dollar for dollar out-of-pocket when there are strategies that enable you to multiply your money and protect it?

First, he is going to have to pay tax on the RMD eventually. If he uses distributions to fund a traditional LTC insurance policy, he is using a small part of his qualified retirement funds each year to protect the remaining vast majority of his account, versus using his IRA funds dollar for dollar after tax to pay his long term care costs. Why not begin now while he can use his younger age and better health to qualify for the lowest possible premium?

Second, if he were to use a product that is a combination of long term care and life insurance benefits, and he did not use the LTC benefits, he would also accomplish converting IRA dollars that would usually be 100% income taxable to his heirs, into an income tax free life insurance death benefit payable directly to them.

#7 - "I don't think I can afford regular long term care policies, but is there anything that will help for a short time while my family and I can make decisions?"

Carmen doesn't have enough money for a traditional LTC policy that would provide benefits for a couple of years or more. She still wants help with the costs of a short term recovery, or for long term care type needs; at least long enough for her and her family to make the best plans that they can for her ongoing care.

The LTC Answer:

There are policies available that can help pay for home care and for some of the costs of recovery after a hospitalization. Also, more traditional long term care coverage, for a benefit amount she can tailor to her budget, can be available to help provide the time needed for her and her family to plan for longer term assistance. These policies can be very affordable and are also often easier to qualify for than larger benefit LTCI policies.

6 Ways You Can Save Money on Your LTC Insurance

Your Age & Health

It is said you buy LTC insurance with your money and your health. The younger you are when you buy, the lower your premium will be. However, whether you buy in your 40's, 50's, 60's or 70's, your total premium to age 85 will be surprisingly similar. But, you will have had the benefit of being covered all that time. Plus, the younger you are when you buy, the more likely you are to qualify for better premium rate classes, further helping keep your premium as low as you can. The Government Accounting Office estimates over 40% of people receiving long term care services are between the ages of 18-64.

Elimination Period

Think of this as a deductible. The Elimination Period is how long you wait to start receiving benefits once your claim has been approved. The typical choices are 0, 30, 60, 90 and 180 days. The longer you are willing and able to wait for benefits to begin, the lower the policy premium. For example, waiting 90 days instead of waiting 0 days can mean savings of 25-30% or more.

Daily Benefit and Maximum Total Benefit

The combination of the Daily or Monthly Benefit and the Maximum Total Benefit payable over the life of the policy, determine your policy premium more than any other factors. The amounts of each are chosen separately at policy issue. If you are willing to use some of your savings to pay some of your cost for care, you can choose a lower Daily/Monthly Benefit or Maximum Total Benefit to keep your premiums lower.

Inflation Protection

Inflation riders increase your Daily/Monthly and Maximum Total Benefit amounts to keep up with rising long term care costs. Variables from which to choose include the percentage increase per year and how long the increase continues – for life or a certain number of years. For example, choosing an inflation percentage of 3% versus 5%, or limiting the inflation increase period to 20 years or until the benefit amounts double, can have a significant effect on your premium.

Spousal Discounts

Most companies offer a discount for married couples, and some for qualifying partners. The premium discounts vary depend on whether one or both are covered, and can range between 10-30%.

Tax Deductions

Employer sponsored LTCI programs are popular because employer paid premiums for qualified LTCI for employees are a deductible business expense, and employers can choose who to cover. Depending on the nature of the business entity, having the business pay for their long term care policies can result in significant savings for business owners and employees.