



## AMERICAN FINANCIAL ADVISORS, LLC

### **Long Term Care – A Good Primer**

One area we are receiving more questions about is Long Term Care insurance (LTC). The normal, expected questions being asked are:

1. Do we really need it?
2. Can we afford it?
3. What if we never use it?
4. Can we be sure they'll pay 20-30 years from now?

There are many variables that figure into a reasonable and thoughtful answer for any individual, couple, or family considering LTC insurance. This article will help answer many questions and put the long-term care "decision" in perspective.

We will discuss the main items you need to know to conduct an intelligent dialog surrounding the issues that might drive any decision. Keep in mind, many clients would be considered "self insured" due to the size of their portfolio by the time they might need long term care. In other words, if a family member needed long-term care, the costs of funding such care for a 3-5 year period would not decimate the total value of the portfolio. In essence, you could handle the costs "out of pocket".

Whether care is provided in a nursing home, assisted living facility, or in your home, it is expensive - and don't expect Medicare to cover the cost.

The trigger for many LTC policies to cover you is a loss of the ability to perform a minimum of two of the "Activities of Daily Living" (ADLs).

#### **The Activities of Daily Living are:**

- |            |              |   |
|------------|--------------|---|
| 1. Bathing | 3. Dressing  | 5. Mobility/Transferring (moving from bed to chair) |
| 2. Eating  | 4. Toileting | 6. Maintaining continence                           |

Cognitive Impairment (Dementia or Alzheimer's, etc.) alone can trigger a LTC policy.

The next series of paragraphs discuss other areas of importance to ensure you don't forget to include these considerations in any policy you might decide to purchase. Paying heed to these areas will help you acquire a policy that doesn't have "gaps" or "holes" in the coverage 20-30 years from now versus what you thought you were getting for your premium payments.

### **Benefit Period**

The average stay in nursing home - or required care at home - will obviously vary, but the "average" is now 3-5 years. Alzheimer patients like Ronald Reagan suffered for nearly 10 years. Chances are the "length of required care" over the next few decades will increase, not decrease with today's medical advances occurring daily. The trade off to consider is whether your portfolio can support "out of pocket" expenses if your coverage is exhausted after 3 years.

### **Daily Benefit**

This dollar value will vary depending on your location. You must have coverage for both nursing home care and home health care so that you may remain in the home, if desired - and still be covered by the policy for the help needed.

### **Elimination Period**

This is the waiting period before commencing benefits. It can be 30/60/90 days or longer for the waiting to commence benefits. Generally, the longer the waiting or elimination period is, the lower the policy premium.

### **Inflation Protection**

You want the option that includes an automatic annual percentage increase in benefits. This will allow your coverage to keep up with inflation - so that your policy performs as you expected it to when you purchased it.

### **Guaranteed Renewable**

As long as you pay the premium, the policy cannot be canceled with this provision in place. Once the policy is issued, the policy is in force for life. Under Guaranteed Renewable the company does retain the right to adjust the premiums for the entire group - not for a specific individual.

### **Level of care**

Levels of care include skilled and unskilled. Your policy should cover both. You want the policy to cover needed benefits - regardless of location - in the home, at an assisted living community, or in a 24-hour facility - which is more like a hospital setting.

### **Life Expectancy**

How long should you expect to live? A healthy 60 year old can now expect to live to at least the mid 80's. We think you have a good chance to live much longer than you ever expected and should be making a plan to have enough dollars to cover that longer expected lifespan.

### **Reliability and Stability of the Insurance Company Policy**

One of the biggest fears is - how do you know your LTC insurance provider will be around to pay the benefits decades from now? You don't. But your best bet is to stick with some of the larger, more established companies like John Hancock, MetLife and Genworth. Additionally, in most cases these will be the same companies able to offer all the various elements of what we've already discussed above which should be included with the policy you may purchase.

### **Window of Opportunity**

The sweet spot age for purchasing coverage is between the ages of 55-65. At this point you admit you are aging, but are still in good health and would qualify for coverage. This is also the point at which the cost of a policy is still reasonable and can still include the necessary options.

We hope the preceding article will help answer some of the questions you may have about LTC insurance. Please call us with any questions, comments or concerns anytime.