

The SMART Way to Approach Long Term Care Insurance Planning

Six Steps to the Safe, Affordable Protection You Need

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1. Consider long term care insurance (LTCi) when fairly young – as you approach your 50's.

Why? Rates are lower then, and you're more likely to be healthy enough to be insurable. Over your lifetime, premium payments will be most cost effective. The younger you are when you apply, the less costly it will be overall. Even with more years paying at a lower premium, total pay-in is less than with fewer years paying at a higher premium. Does make sense?

More frequently than ever, carriers are updating rates and scaling back benefits due to their reduced investment opportunities in a changing economy. An additional factor is claims activity has increased due to longer life expectancies.

Plans will never be as comprehensive or provide as much benefit value for your premium dollar as today. Take advantage of these offers while they are available.

2. Decide if a plan may be appropriate for you.

Long term care insurance plans aren't suited for everyone.

DO CONSIDER IT IF:

- Your savings/investments targeted towards retirement exceed \$100,000 or current rate of income and savings are on track to do so.
- Your preference is to remain in your own home, independent
- You don't want to be a concern or burden for those close to you.
- You don't want to risk outliving your savings.

DON'T CONSIDER IT IF:

- You are or expect to be a Medicaid participant
- You and your family clearly understand the nature and sacrifices of care giving.
- You and your family fully understand the Medicaid spend-down requirements as they exist today, and acknowledge that those requirements have gotten progressively more stringent over the years.
- You are willing to risk your entire savings, dramatically reduce your choices for care and location of care, as well as, your privacy and independence.

3. Find an independent, impartial expert to advise you.

DON'T work with an advisor who only can offer you LTCi plans from just one or two companies, or with an agent that handles many other types of insurance products with LTCi as a sideline.

DO work with someone that specializes in long-term care planning, who represents multiple companies and can show you how different plans can fit your unique circumstances. Also, he should handle other asset preservation and investment depletion insurance, so you have a choice.

It pays to find someone who is independent, impartial and specializing in long term care. Find someone who has experience with underwriting standards at many major carriers. If appropriate (in your state) be sure to ask if he/she is "partnership certified" to assure you are considering all your options. Then, to get maximum benefit from a specialist be prepared to provide a complete and concise medical profile to obtain a realistic appraisal and the best opportunities for your unique circumstances.

4. Use the expert and design the plan that's best for your situation.

Follow the ABC's of Good Plan Design:

- A. Design a plan focusing on home care.** More than 70% of the time, those with coverage utilize their benefits at home. When living at home, customary and anticipated expenses are met with pre-planned income streams (social security, pension, distributions and investment income.) It's the unexpected and unplanned expenses that create issues.

- B. **Incorporate an age-appropriate, cost-of-living adjustment** based upon application age so that your benefits keep pace with inflation. (Note: this is an obvious challenge, as well as, a risk for the carriers in this current economic environment. Compare several carriers, since many have been forced to limit their offerings.
- C. **Design, deductibles and benefits should take into account your personal situation.** This is not a “one size fits all” type of proposition.
- D. **Consider factors such as budget, family history, health profile, spouse or companion, and legacy.** Make sure your advisor accounts for these and discusses characteristics such as shared plans, state partnerships, hybrid plans, and those offering cash payouts rather than reimbursements for services. You should discuss several comparison options.

5. Don't over-insure.

Work with your expert advisor. Be sure you cover home care costs in full. Depending upon your situation, think about contributing towards potential nursing home costs with ongoing income streams (social security, pension, etc) but, don't cut yourself or your spouse short – and, don't pay for benefits you don't really need.

6. Choose the insurance carrier based upon the type of plan you want.

Using an experienced, independent and impartial advisor will be especially valuable when it comes to challenging underwriting issues. Preferred carriers have rigorous health standards and procedures for approvals, but 'Good Health' comes in many shades of grey.

It is generally best to apply against the most discriminating health standards your personal health profile will permit. You want to be in a risk pool with others sharing your health characteristics when at all possible. 'Group Plans' by their nature (attempting to lure a greater number of applicants) are obligated to make concessions. This 'adverse selection' means premiums may not be as favorable and most often, benefits are significantly diluted. Some options (such as preferred health discounts) may not be offered, and there is a greater likelihood for rate increases going forward. Your impartial expert can offer invaluable advice in such a comparison.

The Bottom Line

Successful plan design and selection requires:

- an analytical approach,
- an understanding of the expenses anticipated; assuring a proper and prudent selection of benefits,
- a current comparison of underwriting standards among carriers enabling you to determine optimum alternatives in your selection.

Work with a specialist who is independent, objective and experienced; with:

- access to many major carriers
- state partnership certification
- the ability to listen and understand your needs
- your best interest in mind
- whom you can place your trust and confidence

This is what I do...

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