

When is the right time to buy a long-term care insurance policy?

Many advisors recommend buying long-term care insurance as early as possible, typically when you are in your 60s and in good health. That's when your premiums are lower. However, keep in mind that unless you are at risk for a serious health problem, chances are you may not need long-term care for many years.



Choosing the right carrier

Clearly, if you decide that long-term care insurance is a smart choice for you, you need to select a reliable company to underwrite your policy. Here are a few things to be aware of:

- ▶ *How long has the company been in business?* You want a reputable company that has been around for some time and has a solid client base, especially in the area of long-term care insurance.

- ▶ *Does the company have a good claims payment record?* Do they pay when they say they will? Do they pay without undue red tape? Do they honor claims without excess aggravation? Do they pay the amounts agreed upon?
- ▶ *How often has the company raised their rates in the past ten years?*
- ▶ *How long are the company's elimination periods?* Like a deductible, the elimination period is the length of time BEFORE the company will begin to pay benefits.
- ▶ *Does the company require screening by their own physician?* If so, it could mean you'll have trouble meeting the criteria for collecting benefits.
- ▶ *Be sure to have a qualified lawyer read all the fine print* regarding such things as clinical criteria, elimination periods, premium guarantees, benefits for home care and benefit provisions for inflation.
- ▶ *Consider a flexible policy* that includes home care and assisted living options and has reasonable criteria for determining claims eligibility.
- ▶ *Be wary of group plans.* Although premiums may be lower, companies promoting group plans may not be as well regarded as individual commercial insurers.

In conclusion, long-term care insurance is not for everyone, but with soaring health care costs, increasing insurance restrictions and the need to stretch retirement savings through more years than ever before – it's an option you may want to consider seriously. Remember, your goals should be to protect your assets, minimize your dependence on family members and control where and how you receive long-term care services.

Long-Term Care Insurance

A new health coverage option for seniors



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Resources

To be sure the insurance company underwriting your policy is financially sound, you can check their credentials using these services:

A.M. Best
908-439-2200
www.ambest.com

Moody's Investors Services
212-553-0300
www.moody's.com

Standard & Poor's Insurance Ratings Service
212-438-2000
www.standardandpoor.com

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Estimates are that at least 60% of all individuals will need some form of long-term care during their lifetimes.

(Source: About Long-Term Care, by Thomas Day, Director of the National Care Planning Council)



What is Long-Term Care Insurance?

Thanks to advances in modern medicine, better nutrition and a greater awareness of good health habits, the average life expectancy for Americans has increased more than 30 years over the past century.

Although that's great news, this longer life expectancy also means more of us will require some form of ongoing health support in our later years. To ease the financial burden this prospect represents to many Americans, a new form of healthcare coverage has come into increasing use: long-term care insurance.

Whereas Medicaid benefits are available only to low income households, and standard healthcare plans and Medicare only pay for limited-term medical care, long-term care insurance is designed to help defray the substantial costs of ongoing support provided by residential facilities and in-home health care services.



Do You Need Long Term-Care Insurance?

Individuals often need long-term care when a chronic condition, trauma, or illness leaves them unable to carry out basic activities of daily living, such as bathing, dressing, getting around, or eating. Unless a spouse or family member is able to provide on-going care, they may need to consider moving to a residential facility to ensure they receive the on-going professional support they require.

Needless to say, with the national average rate for a private room in a nursing facility more than \$200 per day*, the prospect of paying for months or even years of residential care can rapidly deplete even the most substantial nest egg. It's no wonder then, that long-term care insurance, which promises to cover all or most of those costs, has become increasingly popular in recent years.

However, long-term care insurance can itself be an expensive proposition, which makes it vitally important to weigh the benefits against the required investment before making a decision.

The Pros

- ▶ Long-term care insurance from a reputable firm offers effective protection against the possibility of paying privately for several years of expensive residential care.

* Source: MetLife Mature Market Institute Report - 2007

- ▶ If there is a history of age-related health problems in your family (i.e. your father and grandfather both developed diabetes and needed ongoing medical support), long-term care insurance provides added security.

The Cons

- ▶ The premiums for long-term care insurance are high (as much as \$3,000 a year at age 60). If you remain in relatively good health for the rest of your life, you will never see a return on that investment.
- ▶ The way the system is currently configured, most insurance carriers are free to raise their premiums to keep pace with ever-rising healthcare costs. As a result, should your escalating premiums force you to drop the policy, you will lose everything you have paid into it.
- ▶ Long-term care insurance is still a relatively new business and all providers may not be reliable. To make sure your coverage is available when it's needed, it's important that the provider have a solid financial history.

What Types of Policies Are Available?

Most long-term care insurance policies fall into two categories: those that reimburse you based on a *predetermined daily benefit amount*; and those that provide a *total dollar amount*, which may be used for a variety of long-term care services until it is used up. Some life insurance policies also allow for a portion of the death benefits to be converted to long-term care benefits.

Choosing your Coverage

You can choose long-term care policies that pay only for skilled nursing care, or only for home care, or a range of care options, including nursing home, assisted living and adult day care. Some will also pay for a family member or friend to care for the policy holder at home.

Choosing your Benefit

Your benefit may be either daily or monthly, and refers to the amount of money the insurance will pay for each day or month you are covered by the policy. If the actual cost of care exceeds your daily or monthly benefit, you will need to pay the balance out of pocket.

Choosing your Benefit Period

The benefit period is the length of time you choose to receive benefits from your policy. You can choose a benefit period that covers several years, or even the rest of your life.

Inflation Protection

With health care costs rising every year, it's important to factor inflation protection into your policy terms. This may be done through automatic coverage increases or by adding coverage "as you go."

