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A NOTE FROM THE GENERAL MANAGER

Greetings from CLTC!

We hope you enjoyed the premier issue of the CLTC Digest. I'd like to thank the CLTC graduates and industry professionals who contributed to the successful launch of this publication. Your feedback is intrinsic to our focus, and we look forward to bringing you the latest news and insights at the forefront of the long-term care industry.

In this second installment of the Digest, our contributors share their informed perspectives on various topics including long-term care solutions for every client, the complexities of long-term care and divorce, and many others. If you would like to publish an article in an upcoming issue, please contact us at **marketing@ltc-cltc.com**.

Spring has finally arrived, and we have some very exciting developments underway. We are pleased to announce that the 3rd edition of eCLTC has launched. This flexible online format is available for both graduates and newcomers and features a variety of learning modules, quizzes, and accompanying materials. Please feel free to explore all the course offerings listed on our website. Additionally, we have more great panelists scheduled for our monthly webinar series. We invite you to become part of the discussion as our experts address the most critical aspects affecting the long-term care market.

The Digest's primary objective is to provide our readers with a quality publication that offers the most relevant industry tips and information. If you have any ideas for how we can better serve our community, please don't hesitate to reach out.

As always, thank you for your continued support of CLTC.

Warm Regards,

Amber Pate
General Manager

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Extended Health Care: Plan the Follow-through

Peggy Fortson, LTCP, CLTC®, CSA

Financial advisors, planners and agents all agree that having a funded Long-Term Care Plan is extremely important to the overall financial well-being of their clients. In spite of this recognition, however, too often the lack of follow-through with their clients contributes to their low percentage of completed plans, and thus, a low percentage of funded plans.

Remember, a plan is not a product. A plan (as defined in Webster's) is a "detailed proposal for doing or achieving something," or "an intention or decision about what one is going to do."

I suggest that without an "intentional plan" for the plan's implementation, you are giving your clients permission to postpone making this decision. Clearly, the advisor's role is key. Don't enable your clients to believe that effort and consideration equate with end results.

THE FIRST AGREEMENT

The importance of planning must be established at the outset. This can be accomplished by engaging in a conversation to find out who and what are important to the client. First acknowledge the "who"—those special people in their lives—that will be a part of their future. When there is dialogue about those who are important to us, we affirm our desire and promise to love and protect them, even if our longevity without independence compromises our ability to do so.

This helps make the connection from heart (emotions) to business (financial planning). If living a long life includes the unexpected need for care, and this need for care jeopardizes our loved ones, we give pause to that inner voice asking "what if?" This voice that lies somewhere between our head and our heart prompts us to take action to mitigate the potential consequences to our loved ones.

A STEP-BY-STEP GUIDE

Once your clients agree they need to plan, you must intentionally guide them through your process. Let me share with you my approach to this, which I have found quite rewarding.

Assuming I've gained the first agreement (described above) during this initial conversation or appointment, I continue with a "this is how I work" explanation. I list the steps in order, perhaps writing them down as I go:

STEP 1

> **"Today I'll complete what is commonly known as a fact-finder (both medical and financial)."**

As you would expect, the fact-finder for medical history is essential before the financial planning assessment begins. It's imperative to know up front if there is an insurability issue.

Also, before moving on to a client's financial snapshot, I explain the relevance—that is, why I need to know this information. Understanding their financial position will help determine how much of the risk (cost of potential LTC expenses) needs to be transferred. I usually offer an example of a few common strategies; for instance, one popular strategy is to "cost-share," where your intention is to self-fund from your income a portion of the expenses and thereby transfer only a part of the risk. This strategy keeps premium costs lower and is typically used in situations when clients believe they can "self-insure."

(Allow me to insert here my comment regarding "self-insuring:" Often, when I ask someone if they have a Long-Term Care Plan, and their answer is, "I believe we can self-insure," I respond by explaining that Insurance is a form of risk management in which you transfer the risk to avoid financial loss. Theoretically, you can self-insure, but you are not "avoiding" a financial loss —on the contrary, you are actually assuming it.)

STEP 2

> **"Next, I'll explain the basics of extended health care plans and how they work. I'll ask you to share any experiences you've had with family or friends and long term care events."**

STEP 3

> **"I'll ask for your thoughts on what your 'ideal plan solution' would look like. This helps us both to focus on and identify the objective for your Plan. There is no 'one size fits all' plan. My job is to identify what strategy and plan is right for you."**

STEP 4

> **"With the information I've gathered today, I'll perform an assessment, including a comparison of the various carriers' plans and strategies available, and will prepare a 'Long-Term Care Strategy Overview' for our next discussion."**

STEP 5

> **"Before we go today, we'll set two follow-up calls/appointments. My goal is to get the right information to you at our next appointment so that you can make an informed decision. We'll have the second already scheduled to do the paperwork if it turns out we can't complete it at the same time. We should know after the first whether we need the second or not—or if you must cancel the first appointment for some reason, we already have another on our calendars. This way we won't waste each other's time."**

Please note that "before we go today" is in BOLD font. In my opinion, this is the most critical step in setting the intention for the completion and implementation of a plan.

STEP 6

> **"Are you comfortable with this?"**

This would be the follow-up question before you begin the fact-finding. By asking this question you are gaining a (second) agreement demonstrating their willingness to follow through. Moreover, if at this point they aren't willing to commit, you will be able to gauge their hesitancy, and hopefully find out why. Are they procrastinating because they lack the vision or don't clearly understand the purpose of a plan?

By discovering if there are objections before you begin your work on creating a Plan, you will be able to adjust the conversation. Don't be thrown off by your client's creative avoidance. Perhaps you need to stop and ask a few more questions, explaining the steps again and making the distinction between planning and implementing a plan. Without a funded plan, the conversation is just dialogue.

If you've successfully made it through Step 6, you are well on your way toward creating and completing a plan for your clients.

Remember, if creating and funding a plan to live a long life makes it to the client's to-do list, that's usually a bad sign, jeopardizing the completion percentage drastically. Even the promise to oneself that "we'll get to it when things calm down" often never happens.

Most conversations I have with frustrated advisors, (and the frustration I experience myself), are due to idleness and stagnation of plans that have been worked on and presented, but left uncompleted. A game plan with intention is directly proportionate to the successful implementation of the plans you present.

> "Regret for the things we did can be tempered by time; it is regret for the things we did not do that is inconsolable." —Sydney J. Harris

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Peggy is the President of Long Term Choices, Inc., a company specializing in the education, assessment, design, and implementation of extended health care / long term care plans. She not only understands the topic of long term care professionally, but knows firsthand the toll on the family and caregiver.

Prior to her financial services career, Peggy was a Medical Technologist for 19 years. This experience gives her incredible insight into the health conditions that cause underwriting issues. The ability to understand and communicate the language plus her investigative skills and persistent attitude often leads to successful outcomes.

"We know how to add years to life, the challenge now is how to add life to those years."

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DON'T LOSE the LTC FOREST for the LTCI TREES

Bob Vandy, CLU, ChFC, LUTCF, CLTC®

Do these five anecdotes sound familiar?

1. I heard standalone Long-Term Care Insurance (LTCI) is going away.
2. All the carriers are getting out of the LTCI business.
3. My clients are scared about LTCI rate increases and I hear they are going to continue.
4. LTCI is tough to get issued.
5. My clients don't like buying insurance they may never use.

Each of them may be a genuine concern holding back a prospect from putting much-needed coverage in place to protect themselves and their loved ones.

Let's address each concern and think about how we might shed new light on the issue at hand:

1 I heard standalone Long-Term Care Insurance (LTCI) is going away.

Regardless of the changes in LTC protection products, carriers, pricing, or underwriting, the one thing that is NOT changing anytime soon is the *need* for long-term care insurance.

Your clients and prospects need protection against the consequences of an extended or chronic care event, and the solutions in the insurance market today—while they may have changed quite a bit in recent years—are actually more plentiful and flexible than ever. As an advisor, you just need to help them find the right fit.

> It is important for us to remember that many of the newer insurance-based LTC planning solutions available today can ensure that clients will see a benefit from their policies, whether they need extended care services or not.

2 All the carriers are getting out of the LTCI business.

While it is true that many carriers have exited the standalone LTCI market recently, there are two points to consider:

- First, there is still a very viable standalone LTCI market. In fact, there are still about 12-14 carriers underwriting LTCI — six of them in the brokerage market — reiterating their commitment to the market.
- Second, we heard similar cries back in the mid-1990's when the Individual Disability Income (DI) Insurance market contracted because of a number of market forces. The result is a very viable Individual DI market today, albeit with a smaller number of carriers and some relatively stricter underwriting guidelines.

3 My clients are scared about LTCI rate increases and I hear they are going to continue.

Clients are scared of rate increases. This is certainly understandable as clients want to make sure they can sustain premiums for insurance and other expenses as they move into retirement. That said, while recent rate increases have been, at times, more frequent and to a greater extent than anticipated, a recent (11/2016) Society of Actuaries LTCI Pricing Study opines that, for LTCI policies being issued today, there is about a 10% chance that a policy will encounter a rate increase. And if there is a rate increase, it may average around 10%.

Put another way: today's premiums for LTCI average 3-4 times higher than ten years ago. This is arguably good news, however, as premiums are now more correctly priced and better insulated from future rate increases.

4 LTCI is tough to get issued.

As we saw in the DI market space, the more claims experience we have as an industry, the more we understand about underwriting and any necessary changes. As an industry, in the early years, we allowed people to secure LTCI who probably should not have. We are paying the price for that now in the form of much higher claims.

It is more vital now than ever that we: (a) reach out to younger prospects than we previously considered — those between the ages of 40 and 55; (b) gather as much information as possible about a prospective policyholder's health; and (c) seek opinion from qualified underwriting personnel *before* submitting those applications.

5 My clients don't like buying insurance they may never use.

The statistical likelihood of an LTCI policyholder making a claim is much higher than virtually any other type of insurance. Do your clients not buy homeowner's insurance (or drop it after paying off their homes)? What about auto insurance: do they have only state-mandated minimum coverage? Do they have liability insurance, simply because of the much lower probability they will ever use it? Why then, do they — *or we* — view LTCI differently?

If your prospects find themselves emotionally unable to move forward because they “may never use it,” it is important for us to remember that many of the newer insurance based LTC planning solutions available today can ensure that they will see a benefit from their policies, whether they need extended care services or not.

Theodore Roosevelt once said, “In any moment of decision, the best thing you can do is the right thing; the next best thing is the wrong thing; and the worst thing you can do is *nothing*."

Ultimately, the worst thing your clients can do is not protect themselves and their loved ones from the potentially devastating impact of an extended care event, until it is too late.

Take action **now.** Consult with us on the various planning options for your current and prospective clients for their extended care planning.

Don't lose the LTC forest for the LTCI trees.

ABOUT THE AUTHOR

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Bob is Vice President of Marketing for New York and National Long Term Care Brokers, a nationally-recognized long term care, retirement, estate and business planning firm located in New York.

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An LTC Solution for Every Client

Timothy Kelly, CLTC®

As we begin 2017, you should be well on your way to adding Linked Benefit LTC solutions to your portfolio. These products include Life Insurance with Long Term Care riders and Chronic Illness riders as well as Annuities with Long Term Care riders. Sales of these types of products have grown exponentially since the introduction of the Pension Protection Act in 2010. Most, if not all, of the major insurance carriers in the marketplace are now participating in this space. It seems like a new product is being introduced on a monthly basis.

So why have these products become so popular with agents and consumers?

Most of us can come to the logical conclusion that it is smart to plan for Long Term Care. However, there have been some major impediments in the marketplace that have stalled traditional LTC sales. The major objections to traditional LTC insurance that exist can be answered with a Linked Benefit product. These include the following:

1. The "Use it or Lose it" structure of traditional LTC. With Linked products, you receive some value from the coverage whether you need LTC or not in the form of a death benefit and/or a return of premium rider.

2. Potential future rate increases. Many of the linked products in both the life insurance and annuity space provide premium guarantees. Rates can't be increased with these guarantees.

> Traditional LTC insurance still offers the most leverage initially for your clients of any solution in the market. However, not everyone wants it or can qualify for it. We must have alternatives for these clients.

I will continue to promote the idea that you should have a Long Term Care planning solution for every one of your clients regardless of their health.

There are many options for LTC funding available in the market today including some that have no underwriting. We can certainly recommend something that is better than self-funding, and that offers some leverage. Furthermore, I believe that you should be recommending multiple solutions to your clients. Many agents only recommend one type of solution to their clients because of some bias they have in their own mind. I believe that this bias is one of the major causes of the low penetration rate in the LTC market.

> Recommending multiple options to your clients will allow them to choose the one that works best for their family. Your own bias should not interfere in the sales process.

I will be delving into the details of these solutions and where they fit into your client's retirement plan. As we continue our journey into a new world of Long Term Care planning, we must come to a greater understanding of the myriad of solutions that are now available to our clients and where they fit.

A very important niche in the market is the group of Life insurance products with Long Term Care riders. This is the fastest growing segment of the LTC market by far.

I would break these products down into two segments. The first segment is a solution that is primarily offered as a long term care solution, as opposed to a life insurance solution. This market is dominated by single premium offerings from companies like Lincoln National, Nationwide, State Life, and Pac Life. I will refer to these solutions as Hybrid Life/LTC products.

> While the single premium option is still the most popular, we are seeing growth in the limited pay and lifetime pay options as traditional LTC premiums continue to increase.

Hybrid Life/LTC

These products answer the typical objections to traditional LTC policies and therefore, have become very popular with advisors and consumers. They offer value to the consumer whether they ever need care or not in the form of a death benefit or a return of premium rider. This overcomes the typical "use it or lose it" objection of traditional LTC policies.

They also offer significant leverage in the form of LTC benefits which varies based on age and health but averages four to five times your premium deposit. They do this by not only offering the ability to accelerate the death benefit but also extending those benefits after the death benefit is exhausted. These products allow you to extend the monthly LTC benefit for up to an additional four years or even lifetime benefits.

As an example of the extension of benefits that creates such appealing leverage, let's look at a typical client who deposits $100,000 into one of these products. This client may receive a death benefit of approximately $160,000 that they can accelerate over two years. That equates to $80,000 per year of LTC benefits or $6,667 monthly. If you were to add the extended benefits of another four years, that would create an additional pool of $320,000 on top of the initial $160,000 in the death benefit. This total pool of $480,000 is available for the single premium deposit of $100,000. This is close to 5 times leverage for LTC benefits.

These products not only offer the most leverage (other than traditional LTC), but they also offer two other significant benefits. These benefits include a Death Benefit if LTC is not needed and a Return of Premium benefit if you change your mind and want your money back. These triple benefits offer an answer to most traditional LTC objections.

When a claim is filed, the cash value and the death benefit are exhausted on a dollar for dollar basis. If the entire death benefit is exhausted, most of these plans offer a residual death benefit equal to 5% to 20% of the original death benefit. If all of the death benefit is not exhausted to pay LTC claims then the beneficiaries would receive the remainder.

The second segment is a solution that is primarily offered as a life insurance solution. It is sold with the additional benefit of a long term care or chronic illness rider. This second segment of products offers less leverage for LTC benefits because they don't include any benefits after the death benefit is exhausted. I would break down this segment into two sub-sections. The first are linked life policies with LTC riders.

Linked Life/LTC

These are structured to allow the policyholder to access 100% of the death benefit for LTC services. These policies require underwriting for mortality and morbidity and charge an additional premium for the rider. Therefore, these policies are primarily sold to your healthier clients who understand that they need an LTC plan but who do not want traditional LTC. In order to sell these products, brokers have to complete the same continuing education requirements that exist for traditional LTC.

Linked Life/CI

The second segment includes life policies with chronic illness riders. These are structured to allow the policyholder to access a portion of the death benefit for LTC expenses. Therefore, they provide less LTC benefits than the linked life policies with LTC riders.

These policies do not require underwriting for morbidity (the LTC risk), and they do not charge an additional premium for the rider. Generally, the rider is automatically added to all policies that receive a Table 4 or better in the life rating class. The niche for this product is for clients who have conditions that are insurable for life insurance but not LTC insurance.

Think about your clients who have Multiple Sclerosis or Parkinson's disease. As long as their illness is considered mild to moderate, they may be able to receive a Table 4 or better life rating class, and therefore, the chronic illness rider is added to the contract. Since there is no premium charge for the rider, the acceleration of your death benefit is limited. There is also a charge against the policy at time of claim for the early acceleration.

There are many ways to use annuities to assist your clients in Long Term Care planning. This includes using Annuity Linked products that offer an LTC rider similar to the Life linked products. You could also use an indexed annuity with an income rider to generate an income stream for your uninsurable clients.

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Hybrid Annuity/LTC

Let's discuss the Annuity Linked products first. This solution is for your clients who have non-qualified funds of $50,000 or more to fund the plan. The client also needs to be in reasonably good health.

While the underwriting on these products is a little more aggressive than traditional LTC, they will not consider dread diseases like Alzheimer's disease, Multiple Sclerosis, and Parkinson's disease. They will, however, consider conditions like insulin dependent diabetics and strokes. They also have a more aggressive height and weight chart.

These solutions are structured as Single Premium Deferred Annuities (SPDA) with a Long Term Care Rider. The annuity value will accumulate at a fixed rate of interest just like any other SPDA. The LTC rider allows you to double or triple your LTC benefits in the contract.

As an example, if you were to deposit $100,000 into the contract, you could receive an additional $100,000 or $200,000 in LTC benefits. When you go on claim, you use your annuity value first to pay LTC expenses. All of the annuity value **including the gain** in the contract will be distributed income tax-free as a tax qualified LTC benefit.

After all of the annuity value has been exhausted, you would then begin receiving benefits from the LTC rider which is also distributed income tax-free for qualified LTC expenses.

Consider marketing to your annuity clients the idea of turning their current tax deferred annuity into a potentially **tax-free annuity** with LTC benefits. You can initiate this by doing a 1035 exchange from the old annuity into the hybrid Annuity/LTC product.

Fixed Indexed Annuities with an Income Benefit Rider Enhanced for LTC

For your uninsurable clients, you could consider an indexed annuity with an income rider. This solution will not cover all of the potential LTC expenses but it could generate a guaranteed stream of income for life and provide an increase in the income stream if your client were to need long term care.

There are several products in this market space that will double the income stream if LTC is needed. Some products limit the trigger to nursing home care. This strategy involves setting money aside for the specific purpose of using it for your long term care needs in a safe investment that can provide some leverage.

Using annuities in your LTC plan is preferable when the client is limited to using money inside of an old annuity to fund the plan.

Remember, you can't do a 1035 exchange from an annuity into a life insurance policy. Using an annuity allows us to make sure that the transaction is as tax efficient as possible. You may also consider an annuity option when the client has health conditions that are uninsurable for traditional LTC policies.

> Offering multiple solutions to supplement your traditional LTC sales is a must in this new LTC marketplace.

By offering alternative solutions to your clients you will always have a recommendation for them regardless of their health. Once again, traditional LTC policies still offer the most leverage initially but we have to have alternatives for those clients when this is not an option because of their health, finances, or preferences.

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CLTC®

Timothy is the Senior Vice President of Sales for Individual Commercial Brokerage, Inc. ICB has been marketing Long Term Care solutions for over 30 years.

Throughout his career, Timothy has educated thousands of agents and consumers on the topic of Long Term Care.He is the creator of the LTC Sales Funnel which guarantees a long term care solution for every client regardless of their health. Timothy helps financial advisors and insurance agents build their long term care planning business using solutions that overcome all of the major objections to stand-alone LTC insurance.

Long-Term Care Insurance and DIVORCE

A Conversation Worth Having

Brian I. Gordon
Murray A. Gordon

Chances are, some of your clients are in the midst of a divorce. In fact, you often may be asked to help sort out their life and health insurance plans, which are common negotiating points in divorce agreements. But it's easy to overlook long-term care insurance (LTCi) when clients don't already have coverage.

You can perform an important service for your clients by raising the issue of long-term care planning with those who are divorcing or recently divorced. This is because while long-term care planning is important for everyone, it is even more important when someone is shifting from "couple" to "single" status.

For one thing, when spouses split, they typically lose their primary health care advocate, whether that translates to someone who provides hands-on care or the person who arranges for professional care. For another, following a divorce, both parties will have a smaller pool of assets to fund potential long-term care expenses.

For the higher-earning party, a long-term care event may impact the ability to meet spousal maintenance and child support commitments. For the lower-wage earner, it even can create greater financial hardships, which in turn can limit their care options.

Either way, the lack of long-term care planning may place a massive emotional and financial burden on the couple's children, regardless of age. Younger kids may find themselves deprived of their caregiver and/or their financial support. Adult children might be asked to share in the expense of care for a parent, whether they are ready or not.

Regardless of the situation, most couples would agree that minimizing the divorce's impact on the kids should take priority, short-term and long-term, which is among the many reasons why LTCi should be part of the divorce conversation.

Building LTCi Into Divorce Agreements

The objective of a divorce agreement is to achieve an equitable division of assets and property. The higher-wage earner is expected to make concessions to provide for the lower-wage earner. Part of this agreement might include purchasing a LTCi policy for one's soon-to-be ex-spouse while dividing assets.

Asset-based LTCi plans have proved to be a very helpful tool here, thanks to their guaranteed rates and flexible payment options, which allow premiums to be paid off in a set time period.

For example, we were asked to suggest a LTCi policy for a 55-year-old woman as part of her divorce agreement. Both she and her husband were eager to separate their financial affairs. For this reason, a traditional pay-as-you-go LTCi policy did not hold much appeal to either party.

Working with the client's financial advisor, we recommended a life insurance policy with a LTCi rider and a 10-payment premium plan. Premiums would be paid in full after 10 years, at which time the ex-husband's responsibility would be fulfilled. Both parties signed off on the arrangement. And when ample assets exist, a single-payment plan—in which premiums are paid in one lump sum—can be extremely useful in the distribution of assets.

Spousal Discounts During Divorce? Yes!

We have been in situations where both members of an amiably divorcing couple have decided to apply for long-term care insurance — jointly.

Interestingly, a couple engaged in divorce proceedings typically can take advantage of spousal discounts offered under traditional LTCi policies. These discounts typically range from 10 percent to 30 percent and, in our experience, remain in place even after the divorce is finalized. Each individual receives their own policy anyway, so coverage is not linked going forward.

Some asset-based life and LTCi policies also offer spousal discounts, which divorcing couples can take advantage of. However, while most carriers issue separate policies to each spouse, at least one carrier issues a joint policy with individual LTCi benefits.

Provided there is an insurable interest (say, the welfare of the children), this policy can remain in effect post-divorce. However, although some ex-couples might find it expedient to share a joint policy, it goes without saying that others might not be open to the idea.

LTCi, Divorce, and Women

Long-term care planning is especially important for women, from a number of statistical angles. Multiple studies over the years have shown that a woman's standard of living is likely to drop following a divorce, while a man's standard of living is more likely to increase after a divorce.

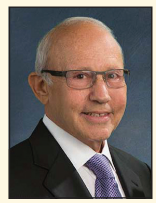
In addition, industry statistics indicate that women are more likely than men to require long-term care. Women live longer than men. Alzheimer's disease is the leading and most expensive medical diagnosis for LTCi claims, according to the American Association for Long-Term Care Insurance (AALTCI), and nearly two-thirds of Americans who have Alzheimer's are women.

What About Gray Divorce?

The number of "gray divorces"—divorces occurring among people ages 50 years and older—has doubled in the past 20 years, according to a recent Bowling Green State University study. At the same time, it goes without saying that health problems increase with age and so does the need for long-term care. And thanks to medical advances, Americans are living longer.

Interestingly, people are now buying LTCi in younger middle age. It used to be that most consumers purchased their policies when they reached their 70s. Now people are buying it when they are in their 50s. In 2014, 80 percent of new LTCi policies were purchased by people between the ages of 45 and 64, according to the AALTCI.

The bottom line is that long-term care planning takes on increasing importance as clients get older. But when clients in their 50s are getting divorced, this type of planning becomes even more essential. Divorce is difficult, period. It is a difficult time for clients and their families at any age or stage of life. But it is also a time when clients are re-evaluating and planning for the future. As their agent or advisor, one of the best ways you can serve your clients proactively is to make LTCi part of your conversations. A little education and planning go a long way.

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The LTCI Over-Quoting Mistake

Bill Comfort, CLTC®

A huge mistake that many advisors and their clients make when considering long-term care (LTC) insurance is "over-quoting." Most people do not need to buy coverage for 100% of the cost of the highest-possible cost of care in a skilled nursing home, and even shorter benefit periods will cover the vast majority of care needs.

It is kind of like thinking, "If I can't afford a Mercedes, then I'll just wait for the bus." A Malibu with cloth seats and a 4-cylinder engine is great, safe, affordable transportation. LTC insurance should not be a zero-sum, all-or-nothing decision; that is a common and dangerous planning mistake.

$3,000 a month of LTC insurance benefits will pay for about five hours of home care seven days a week, or 10 hours every other day. It will cover more than half of a very good Assisted Living Facility in most of the country and provides a 33% "discount" to a $9,000 per month bill in a nursing home.

LTC insurance claims data from comprehensive policies show that 60% of claims start at home, and about the same percentage of claims also end at home. Only about 20% of LTC insurance claims end in a nursing home.

There are two types of people who end their lives in a nursing home: those with money—and/or LTC insurance—whose disability has become so complex that it is the only place that can provide the necessary care, and they go to a nursing home at the very end of life for a shorter than average period of time. And then there are those with no money (or who have run out of money) and they are in a nursing home for longer periods because it is the only place that Medicaid meaningfully covers.

GOING TOO LONG

The average LTC insurance claim is less than four years, even less than three years for men. Can care last longer? Of course. Is that potentially financially devastating? Yes. But if your client cannot afford the premium for a six-year policy, cover at least the average first before you worry about Alzheimer's care for many more years. We have played right into consumers' (mistaken) mindset that if you cannot cover the worst, worst-case scenario, then LTC insurance is not worth it.

The question is not, "What if I only sell a client three years of coverage and she gets Alzheimer's?"

The question is, "What if your client gets Alzheimer's but bought nothing because you pushed a benefit and a premium that was unaffordable?"

A three-year policy benefit—which for couples can translate into a total of six years for one spouse or partner with a shared benefits option—provides much more private-pay flexibility than having nothing, especially in the early years when providing care at home creates the most stress and potential harm if some professional care is not used.

THE NURSING HOME COST FALLACY

The headlines and lead paragraphs—in the mainstream press and the financial services press—continue to highlight over and over the very high, scary cost of care in a skilled nursing facility. While this is a potentially significant financial risk, it is also remote, and the least-likely type of care particularly for people who have the means or desire to pay for home and community-based care.

It is a fallacy to think that pounding consumers over the head with the worst-case, most-expensive scenario will motivate them to take action. In fact, psychologically it does the opposite, numbing people against the more present and devastating risks.

We need to stop worrying about the cost of care in a facility where most people are unlikely to end up. We must worry, first, about where our client will get an extra $3,000 to $4,000 a month to pay for part-time home care so his spouse can have a life, get a good night's sleep, and stay healthy, and so the adult kids can be care managers, not caregivers.

Home care almost always comes first. And the consequences start immediately. It is in the effort to keep a loved one at home where the consequences to spouses or partners and adult kids begin and are often most dramatic. Home care is also where the financial consequences have the greatest impact, even when the comparative cost may be less than in a facility.

As a financial advisor ask yourself this question: "Where will I, the advisor, without compromising the long-term financial security of a surviving spouse, find an extra $3,000 to $4,000 a month just to cover part-time home care while providing for ongoing basic living expenses and lifestyle needs at the same time?" Of course, the potential costs only go up from there, but until you solve this first problem, you cannot solve the problem of a dramatically more expensive or very long claim.

GETTING CLIENTS TO TAKE ACTION

This approach of focusing on a few years of home care that will require a few thousand extra dollars a month allows for engagement with clients in a new way.

First, it is a risk and cost that is reasonable to accept. Spending years in a nursing home with a six-figure annual price tag is so far from being acceptable psychologically, it is counter-productive. But being at home for a few years with the personal, emotional, and physical consequences on those you love playing out in front of you, it is reasonable and psychologically more accessible from a planning standpoint.

How does a person mitigate those devastating personal consequences of informal home caregiving? By hiring professional caregivers, even if it is only for a few hours a day or a week. But the costs add up fast. Maybe a client could "self-insure" a thousand dollars or two a month from cash flow, but after that lifestyle comes crashing down along with the informal caregivers' mental and physical health.

Buying LTC insurance, even a smaller but meaningful, affordable policy is not for the policyholder; it protects everyone else he or she loves. If a couple says they can afford a "three-by-three" plan ($3,000 per month, 3% inflation, 3-years of benefits with shared care), then you can start building up from there, first with a higher monthly benefit, then a longer benefit period if each step up is met with agreement that it is affordable. Let the client "buy-up." For too long we have failed in trying to "sell-down" when we have oversold the potential cost and length of care to scare people into buying what they have decided they cannot afford.

LTC insurance specialists and more so the broad financial services industry have left way too many people waiting on the curb. Solve the part-time home care problem first, and you will sell more people and protect many more families and loved ones.

ABOUT THE AUTHOR

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