The Certification for Long-Term Care

CLTC DIGEST

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7 Ways to Fund a Long-term Care Plan with Housing Wealth

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APRIL – JUNE 2019

INSIDER'S NOTE

Spring has sprung! The trees are in bloom and the flowers are beginning to blossom. With the renewed landscape, we welcome a fresh issue of *CLTC Digest* — thank you for joining us!

Here are some story highlights from inside:

- In our cover story (pg.10), Don Graves encouages advisors to acknowledge reverse mortgages and their renewed viability to fund long-term care plans. Housing wealth may offer clients the flexibility to consider multiple variations of an extended-care plan
- Tom Riekse (pg. 2) examines annuities and the role they can play in planning for long-term care by using some creative strategies and tax advantages.
- Shawn Britt (pg. 5) reflects on the personal impact of caring for an aged parent and the value of having a long-term care plan.
- In this issue's "Ask the Actuary," Marc Glickman (pg. 14) discusses the value of sharing personal stories as an effective educational and promotional tool. You will ultimately help increase your impact and deepen your business relationships when you express empathy, wisdom and insight.

Thank you authors and readers for all you are doing to protect your clients, their income, and their assets. We hope you enjoy the issue—happy reading!

Kind Regards,

Amber Pate

Amber Pate, CLTC®
Executive Director

Certification for Long-Term Care

Certification for Long-Term Care, LLC.

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CONTACT CLTC
877.771.2582
info@ltc-cltc.com
1005 Slater Road, Suite 101
Durham, NC 27703

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Creative Ways that Annuities can Fund LTC Insurance

By Tom Riekse, Jr., ChFC®, CEBS

According to insurance industry research group LIMRA annuity sales had their best quarter in nearly 10 years with 62.1 billion in fourth quarter 2018 sales, up 22% year over year.

Annuities are best known for helping with retirement income, but they can also play a role in planning for long-term care by using some creative strategies and tax advantages.

Annuities take many different flavors, and some types have benefited from rising sales more than others. As an example, according to a recent WSJ article, the classic SPIA (single premium immediate annuity, in which someone takes a lump sum to convert to a lifetime income stream) is not very popular in the US. In 2017 only 39,000 of these policies were sold, which represents only about 1% of retiring Americans.

On the other hand products like multi-year fixed rate annuities (MYGA's) experienced a lot of growth as an alternative to Bank CD's. In addition, a volatile and lower stock market in 2018 had many clients receptive to the idea of Indexed annuities which to help limit the stock market downsides.

Annuities can be a great way to save. But, thanks to laws like the Pension Protection Act (PPA) they can also help out with funding long-term care insurance plans; including traditional, hybrid life/LTC and Annuity/LTC plans.

Let's look at three examples of how annuities can help fund LTC plans:

1 1035 Exchange into Traditional Long-Term Care Insurance

The PPA allows for the use of 1035 (tax-free exchanges) from non-qualified deferred annuities to pay traditional LTC Insurance premiums. When these exchange distributions occur from the annuity they are not-taxable as income but just reduce the tax basis in the contract. With Tax-Qualified LTC Insurance, benefits are received tax free. Thus, thanks to the PPA, you can change taxable annuity income into tax-free benefits.

Annuity holders can either do a partial exchange for annual pay LTC policies or conduct a total exchange for single pay LTC premiums, such as those offered by National Guardian Life. IMPORTANT: before you try this strategy, check with both the annuity carrier and the LTC carrier to see if they can facilitate the 1035 exchanges necessary.

2 Annuities Funding Linked Life/LTC Plans

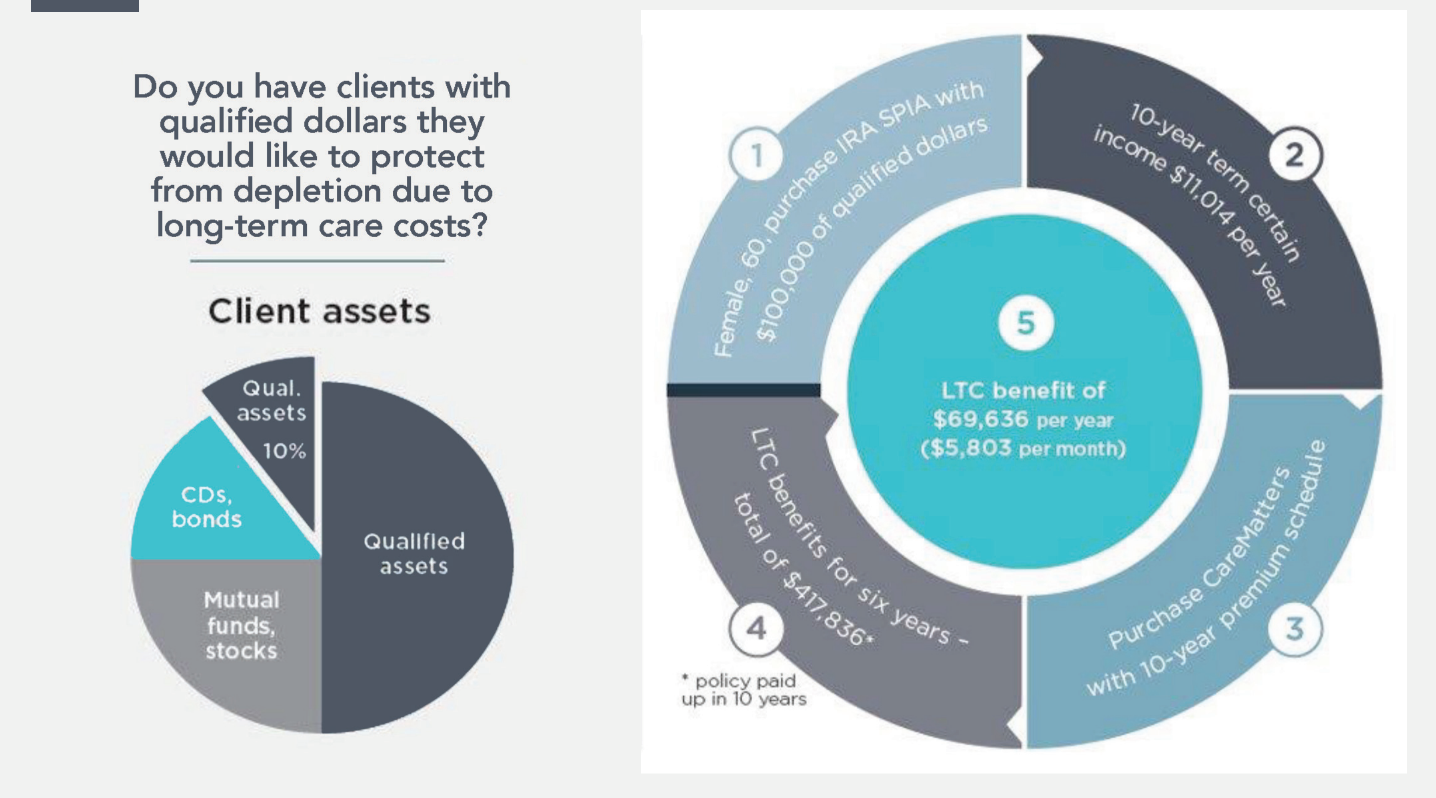
At first glance it doesn't make a lot of sense to use an annuity to purchase a life/LTC plans—typically people buy hybrid policies through a single cash lump sum or recurring premiums. Also, people who have existing life policies can 1035 exchange into a hybrid life/ltc policy as well.

One type of buyer, however, may benefit by using an annuity to fund a life/ltc plan. This is someone who is over 59 1/2 years of age and has a substantial amount of their overall worth in qualified assets such as a 401(k). In the example below from Nationwide a female who is 60 in good health wants to put together a plan for long-term care. They would prefer a linked life/ltc plan because of the premium guarantees and the fact the policies aren't "use it or lose it"—they want certainty.

The client applies for a 10-pay linked life/ltc plan, but instead of paying the premiums out of current income she purchases an IRA SPIA with a 10-year certain term using $100,000 of qualified dollars. That premium funds a 10-pay life/ltc policy that offers up to $417,836 and six years of LTC benefits.

Of course, the client will have to pay taxes from the annual annuity distribution that funds the LTC policy. But the LTC benefits paid out will be tax free. Chart 1 below provides an example of how this works.

Chart 1



One America offers a solution similar to Nationwide called AssetCare III, except their plan funds a 20-pay policy.

3 A Tax-Qualified Long-Term Care Extension of Benefit Rider on an Annuity

Finally, there are non-qualified annuities that offer an extension of benefits rider for long-term care. Here's an example:

> Bill, a 65 year old male, purchases a non-qualified annuity/ltc plan. If Bill needed long-term care in the future, he could accelerate the account value over 24 months. If he uses the entire value a continuation of benefit provision (COB) would allow him to get an additional three years of coverage.
>
> Bill could fund the premium through either cash or a 1035 exchange from an existing non-qualified annuity. Thanks to the Pension Protection Act, using an existing annuity and doing a 1035 exchange is a great idea because the LTC benefits can be tax-free.

Because these products can provide significant LTC value, they are medically underwritten, so applicants who are typically automatic declines for long-term care (such as memory loss) are not eligible for coverage. However, the underwriting is more liberal than underwriting for traditional LTC or linked life/ltc plans, so it may be a solution for people who may find it difficult to obtain LTC coverage.

Combination annuity/ltc plans with true riders are available from a handful of companies, so make sure you don't confuse plans with medically underwritten benefits from annuities that may offer a little higher payout for LTC needs.

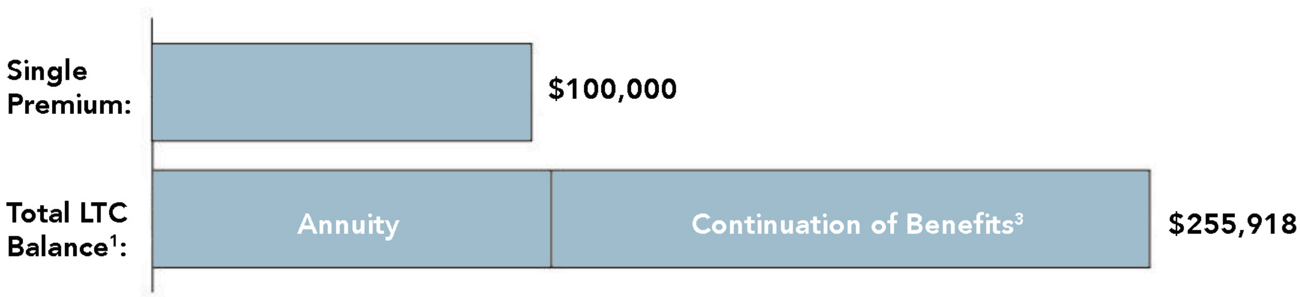
TOM RIEKSE, JR.
ChFC®, CEBS

As the Managing Director of LTCI Partners, Tom leads one of the largest national insurance distributors focused exclusively on long-term care planning. Tom has been working in the long term care insurance industry since 1991. He is a graduate of Hope College and has an MBA from The University of Illinois at Chicago.

Tom.RiekseJr@LTCIPartners.com

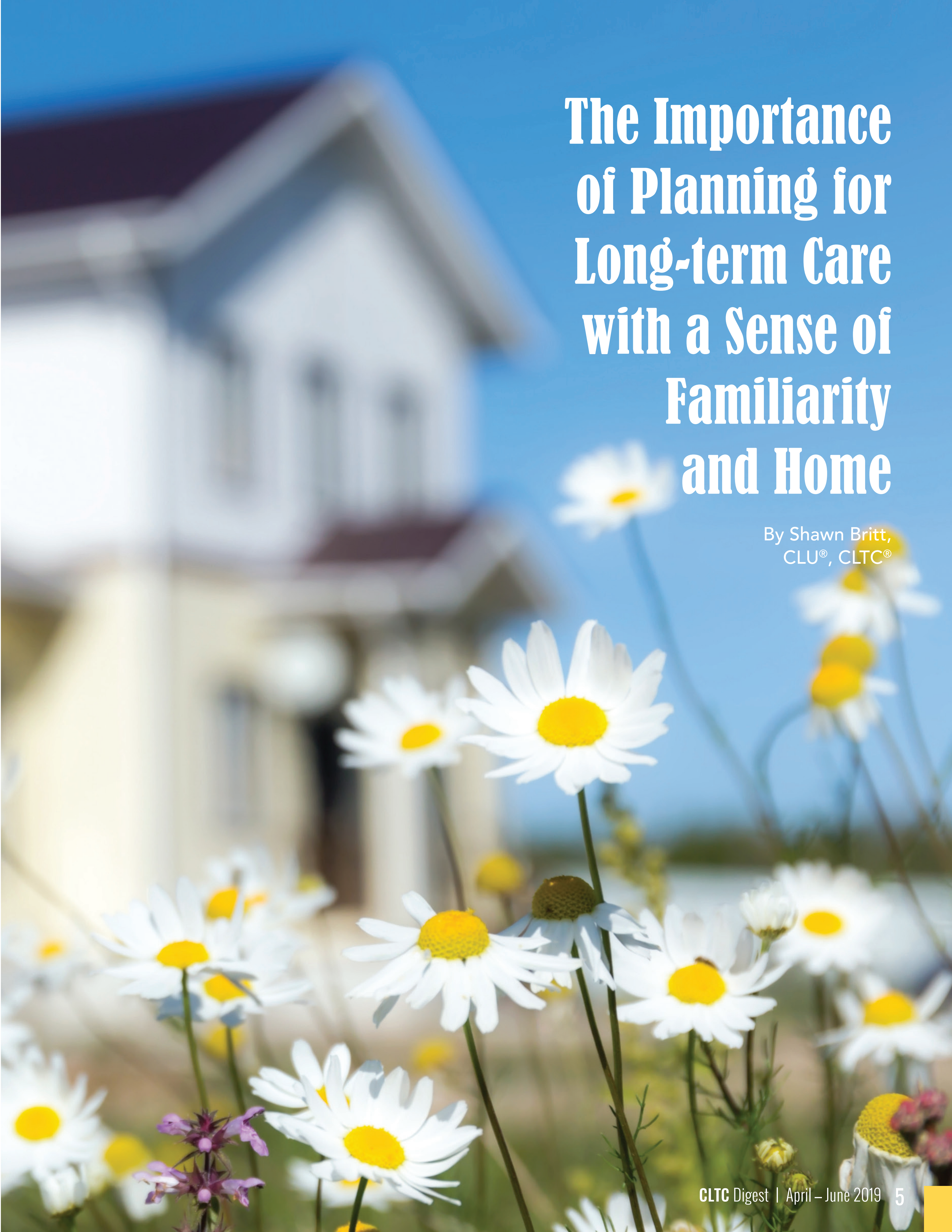
Chart 2

Single Premium:	$100,000
Total LTC Balance[1]:	$255,918
Total LTC Period[2]:	60 Months



[1] Includes LTC Accumulated Value (LTCAV) and COB balance
[2] Includes Annuity withdrawal and COB coverage periods
[3] Continuation of Benefits begins once the Annuity's LTCAV is exhausted

End of Year 1 LTC Withdrawal/COB Coverage Limit:	$ 4,265 Monthly $51,180 Annually



The Importance of Planning for Long-term Care with a Sense of Familiarity and Home

By Shawn Britt, CLU®, CLTC®

Most people have heard the phrase *home is where the heart is*. But home may also be where memories remain for seniors who develop various dementias. As Mother's Day approaches, I am reminded of my own late mother's journey with dementia and how it helped my daughter and I plan for potential LTC needs I may have in the future.

Those of us who have had to move parents to other housing arrangements because of health or safety concerns have often heard our parent say, "I want to go home." That desire may be more than sentimental; it may also be where their remaining memory is based.

Cognitive impairments such as Alzheimer's and other forms of dementia are the number one reason for people age 65 and older to go on long-term care (LTC) claim[1] and now comprise approximately 50% of all LTC claims[2]. Many forms of cognitive disorders result in short-term memory being the first to go.

As my own mother's dementia progressed, her short-term memory faded over time to the point where she could no longer recollect what she just ate for dinner. She would call me to see when I was coming to visit, not remembering I had just visited earlier in the day. She adored her two great-grandsons, but eventually could no longer remember their names.

But ask Mom about the past, and she was full of accurate names and information. I found I could still have quality conversations with her if I focused on the bygone days—and I was surprised to hear stories she had never told me regarding her early life and the lives of her parents.

Pros and Cons of Care at Home

When a person has lived in their home for a long time, the home's layout and where they keep their possessions become part of their long-term memory. As short-term memories fade, being able to remain at home with what is familiar provides stability for a senior losing their grip with the world they once knew. For many seniors with cognitive challenges, long-term memory will remain intact long after short term memory has faded away. That is why home care for individuals suffering from dementia related conditions can be so important. Studies show that the outcome for patients with Alzheimer's and other dementias are generally better when nursing home admission can be delayed[3].

Receiving care at home can be economical if there is solid support from informal caregivers such as family members and friends. However, keeping a patient at home, particularly with dementia related care needs, takes a lot of planning and can be very expensive if care is provided entirely by professional services.

The cost of keeping an individual at home to receive the care they need may come from more than one source. In addition to the dollars directly paid for care, there is the cost of lost opportunities and out- of-pocket costs that family members may incur when they are part of the caregiving team. In fact, it is reported that $522 billion dollars a year represents the cost of informal care due to lost wages and benefits, out-of-pocket expenses, and other costs incurred by the caregiver[4].

There is also emotional stress and increased health risks for caregivers. According to the AP-NORC Center survey[5], 40% of caregivers say that providing care makes it harder to manage their own health. Caregivers report that they have less time to socialize, have less down time for themselves, and get less sleep. In addition,

44% report using their own vacation time to make the time to provide care. Finding the right balance is the key—for the patient, the caregiver, and the family as a whole.

Unfortunately, it is not always possible to keep an individual in their home to receive care. Adult children may live in other cities leaving no good support system to supervise such a plan. In other cases, a family is able to keep their loved one home for a while but may eventually be forced to consider a new strategy to maintain the sanity of the family. Whatever the situation, it may mean making the decision to consider facility care at some point in time.

The Missing Conversation

The best chance of having a successful experience with a LTC event is to plan ahead and have resources in place to pay for any potential care needs. People sometimes make the mistake of thinking that the purchase of a LTC policy is the only thing they need to do to plan for long-term care needs; but there is an important conversation that is often forgotten about—the one between the advisor and the client regarding the type of care the client would prefer to have if faced with a LTC event.

A policy offering a large monthly benefit is worthless if it does not pay for the type of care the individual may want. When the client does not communicate their preferences, the advisor can begin pinning down the client's needs with the following questions:

1. Where would you feel most comfortable receiving care?
2. Who do you want to care for you?
3. Would you prefer a monthly cash payment for the full LTC benefit amount so you can manage your own needs, or would you be more comfortable having the insurance company reimburse only for your qualified LTC expenses?

Asking these three questions will provide the opportunity to dig deeper into the needs and desires of the client and help them choose the policy that will best fits their needs.

For example:

- If the client wishes to pay a family member to provide care at home, or if alternative care services may be consideration—make sure the LTC insurance solution that is being considered will allow for benefits to be used in such a manner.
- If the client has budget constraints, purchasing adequate coverage may be a higher priority than buying coverage that covers everything in their proposed plan. Reconsidering their plan may help the client land on a type of policy they can afford.

Lessons Learned From Experience

As individuals and couples cope with the challenges of their parent's (and grandparent's) care, they may want to note the pitfalls they experienced for future reference. These lessons learned can really aid a person in their ability to make a strong plan of their own for potential future LTC needs.

My own daughter did just that. She watched the stress I was under while helping my mom. Even though Mom was in an assisted living facility just 15 minutes away from my home, the trip back and forth—added to the time I spent visiting her—could be overwhelming when combined with my work and personal life responsibilities.

A couple of years ago, my daughter called me to announce that the home two doors down from her was for sale— and that it was perfect. The home was well suited to the life my husband I have now, but because all the essentials were on the first floor, we could stay there well into an advanced age. And my daughter, her husband and the boys would be right there to help out when we needed it.

She specifically said to me that she wanted it easier than what I faced with my mom, and that "*15 minutes might as well be 15 miles when your life is stressed to the limit.*" And it was a great decision. It works for our family now and will work even better as my husband and I age.

Find a Way to Keep a Feeling of Home

In my case, Mom lived in another city and I was her only child. Dad had cared for her at home, but when he passed away I had no choice but to move Mom to the city where I lived. We had discussed "old age" many times over the years, and Mom always said she did not want to move in with me—so at least that decision had been made!

Fortunately, we had resources to pay for her care. For her safety, I had to put her in a facility. She had a spacious apartment on the top floor of a beautiful assisted living facility, but she was miserable—really miserable. She continuously asked me to take her home. Eventually, I figured out the problem.

Mom had lived in one-story homes her entire adult life, where windows placed into view passing cars, people taking walks, children riding bikes, and views of her backyard garden—and now all she could see was tree tops. In addition, Mom's furniture was arranged in a fashion totally different than she had it arranged in her previous homes with Dad—and the current floor plan did not allow me to rearrange the furniture into a more familiar setting. I realized Mom's apartment did not feel like home.

Mom's final move was to an assisted living facility near my house. The reviews for the care they provided were great, though it was not as "up-to-date" esthetically. It was a ranch style community where everyone had a ground floor apartment. There was even a screened-in porch off the large patio door with a small area where each person could plant flowers if they were able.

The floorplan of the unit was almost identical to the main living space of two of the homes my parents had previously lived in. I was able to arrange Mom's furniture and hang pictures the way she was used to. My husband and I made sure she always had a nice garden to look at.

She never again complained of wanting to go "home." I was able to make the place look and feel like her home. She passed away eight months later, quietly and unexpectedly, right after I had left her napping on the sofa she loved that had her favorite large painting of daisies hanging above. Mom left this world peacefully—feeling at home.

[1] American Association of Long Term Care Insurance, 2016 Sourcebook, AALTCI
[2] LTC Tree—Long Term Care Statistics, June 12, 2018
[3] Alzheimer's Association, 2018 Alzheimer's Disease Facts and Figures Report, Dec 14, 2017
[4] NBC News, "How to Care for Your Aged Parents without Going Broke"–Jean Chatzky, April 26, 2018
[5] AP-NORC—THE LONG-TERM CARE POLL; "Long-Term Caregiving: The True Costs of Caring for Aging Adults", Oct. 17, 2018

SHAWN BRITT
CLU®, CLTC®

Shawn is Director of LTC Initiatives for Advanced Consulting Group at Nationwide FInancial. She has been engaged in the life insurance and LTC industry for over 20 years. Shawn has been a major influence in promoting the need for long-term care and development of Nationwide's LTC product solutions.

MEMBER SPOTLIGHT

CLTC Digest Member Profile

Certification for Long-Term Care

Kerry Peabody, CLU®, CLTC, is a Long-Term Care Insurance Specialist with Clark Insurance in Portland, Maine. He has been involved with Long Term Care Insurance for more than 20 years. This includes four years as an LTC medical underwriter for UNUM, then another four years as a National Sales Director, training agents around the country on LTC need and products.

For the past 15 years, he's been working directly with consumers, helping families and small business owners protect themselves against the staggering emotional, physical and financial impact that an extended long term care event can have. Kerry earned his CLTC® designation in 2002, and his CLU® in 2017.

He is licensed in several states, and lives in Scarborough, Maine, with his wife, Carrie, and his son, Brim.

Q: How did you first get involved in LTC planning?
A: I was working at Unum, and knew some folks who worked in the LTC product line, and thought it sounded like an important planning tool. Then, after my grandmother wound up in a Medicaid bed in a nursing home, and I saw all that my parents were dealing with, I realized just how important it was to plan.

Q: What do you find most challenging about LTC planning?
A: It used to be denial, but I think that's changing as more Boomers deal with their parents' LTC needs. I think the biggest challenge today is media misinformation and the general lack of knowledge about LTC insurance products.

Q: What is the best (or worst) thing to happen to you since you started in this industry?
A: Best… my wife.

Q: Who has been your best mentor in this business?
A: In my role at Unum, I was lucky enough to work with several of the biggest pioneers in this industry - Bill Comfort, Carol Gardner, Tom Riekse, both Sr. & Jr., and several others.

Q: If you could change one thing about the public views on LTC planning, what would it be?
A: When you say "long term care," everyone assumes you're talking about nursing homes, when the vast majority of long term care takes place at home.

Q: What changes do you see happening in the next 5 years?
A: I hope to see more carriers entering the stand-alone LTCi market now that the pricing has matured and the products will be profitable.

Q: If you were doing something else, what would it be?
A: Writing.

Q: How has being a CLTC professional helped you succeed?
A: Being a CLTC has helped in many ways. First, there's a great deal of knowledge, both on the technical and sales side, provided by the CLTC educational program that you're simply not going to get anywhere else. Second, and just as important, is the value of being part of a group of highly-skilled professionals, most of whom are more than happy to share their experience and market savvy amongst their peers. Third, as with any professional designation, having the CLTC shows that you've committed yourself to this field of planning.

We are pleased to welcome Kerry as a new member of the 2019 CLTC Board of Advisors.

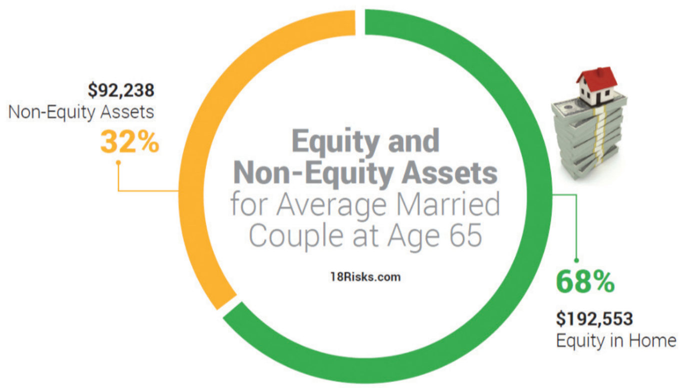
7 WAYS TO FUND A LONG-TERM CARE PLAN WITH HOUSING WEALTH

By Don Graves, RICP®, CLTC®, CSA

As CLTC designees, we know the truth that most people will need extended care at some point in their lives, but many mistakenly believe that Medicare will cover the costs. The reality is: unless retirees are eligible for *Medicaid*, they are responsible for their own long-term care plan.

Often, you may help your clients purchase long-term care insurance, or they may acquire a life insurance policy or annuity that has long-term care provisions built in. Today, we'll consider another resource—one that's readily available and easily accessible, yet often overlooked by advisors. It's your clients' *housing wealth*.

Currently, around 87% of baby boomers and existing retirees own their home, and according to the U.S. Census Bureau, their home equity accounts for a considerable portion of their total wealth (68%). However, it can only be utilized as an asset, if it can be accessed! This is where the reverse mortgage can play an important role.



REVERSE MORTGAGES, ARE YOU KIDDING?

Let's be honest; the reverse mortgage comes with "baggage." Historically, moderate to affluent retirees and their advisors have either dismissed the reverse mortgage as irrelevant (or even dangerous), or they have relegated it to a last-resort option.

However, much has changed. FINRA changed their position, and recent research conducted by Nobel Prize winners, financial thought leaders, prestigious academic institutions, and scholarly journals now affirms the role that the strategic use of reverse mortgages can play in comprehensive retirement planning including extended care planning. As a matter of fact, since December of 2018, the nation's largest broker dealer as well as many others have removed restrictions on discussing reverse mortgages with their clients.

By no means am I suggesting a reverse mortgage is right for every client, but I do believe that the newly-restructured reverse mortgage is uniquely designed to address the most common concerns of retirement and is worth a conversation. Here's a quick overview.

HOW DO THEY WORK?

The most common type of reverse mortgage is Home Equity Conversion Mortgage (HECM). It is a federally insured loan for those age 62 or better (only one spouse must be age 62) that allows them to convert a portion of their primary residence's value into tax-free dollars. The borrower is not required to make any mortgage payments, though they have that option, and they do not give up ownership or come off title of the home.

A reverse mortgage must be a first mortgage. This means if a borrower has a remaining mortgage or home equity loan balance, they are required to pay it off when they close on the reverse mortgage.

The amount of money a borrower is eligible for is based on the age of the youngest borrower, the value of the property and the interest rate associated with the selected program. Proceeds can be taken in a lump sum, line of credit, monthly payment or a combination of these.

There are four basic requirements for the HECM: (1) the house must remain the principal residence of at least one of the borrowers; (2) the home must be maintained; (3) basic homeowner's insurance must be kept in force; and (4) all property-related taxes must be paid.

And finally, the loan gets repaid when the last surviving borrower deceases or permanently leaves the property. When the home is no longer being used as the primary residence, the cash advances, interest and other financed charges must be repaid to the lender. This can be done from other assets, insurance or the heirs can refinance the existing property.

Most commonly, the home is sold to repay the loan, and one hundred percent of any remaining proceeds (beyond the amount that are owed) will belong to the borrower if they move, or to their estate if they decease. If the loan balance exceeds the sale proceeds, the remaining amount is covered by the FHA because it is a federally insured program. No debt is passed along to the borrowers' beneficiaries.

THE HECM LINE OF CREDIT

In the next section of this article, I will outline seven strategies for using the HECM to create an extended care plan, but first, it's important we understand a bit more about the HECM Line of Credit.

Most of us are familiar with a traditional banking line of credit, or something like a Visa, Mastercard, or Discover credit card. They all work in a similar way. The bank/credit card company gives you the ability to borrow money (up to a limit) and then repay those advances over time. The reverse mortgage line of credit (ReLOC) works similarly, but with a few significant differences:

- ✓ **No Mandatory Monthly Payments.** The ReLOC does **not** require any monthly loan payments on the money that is taken.
- ✓ **The Line of Credit Grows.** The unused portion of the ReLOC has a built-in, guaranteed growth factor that allows it to grow regardless of the home's value! This means you can secure a ReLOC and access more dollars down the road than what it was originally worth.

Table 1 below shows the projected growth of the ReLOC for a 62-year-old with $200,000, $400,000, and $600,000 home values. Notice how much the line has grown 25 years later, when the borrower is age 87.

TABLE 1

	$200,000	$400,000	$600,000
Year	ReLOC Value	ReLOC Value	ReLOC Value
0	$79,396	$162,796	$248,196
5	$103,118	$211,437	$322,353
10	$133,929	$274,611	$418,668
15	$173,945	$356,661	$543,760
20	$225,917	$463,227	$706,227
25	$309,167	$633,926	$966,472
30	$381,086	$781,391	$1,191,295

Another way you can receive the reverse mortgage funds is by converting all or some of the remaining line of credit into **monthly payments**. Table 2 shows the monthly payments available to a retiree (age 65) with a $400,000 home. Tenure payments exist as long as the loan is in effect, while term payments are set for specific periods of time (5 and 10 years, in this example).

TABLE 2

Age 65 | $400,000 Home Value | 5% Expected Rate

Age	A	B	C	D
	LOC Amount	Tenure Pmt	5-yr Term	10-yr Term
65	$154,000	$823	$2,928	$1,664
70	$202,618	$1,145	$3,853	$2,189
75	$266,586	$1,630	$5,069	$2,880
80	$350,748	$2,402	$6,669	$3,789
85	$461,480	$3,753	$8,775	$4,985
90	$607,171	$6,559	$11,545	$6,559

7 WAYS TO FUND A LONG-TERM CARE PLAN WITH HOUSING WEALTH

I've included the following examples from my recent book, *The Retiree's Guide to Housing Wealth* (www.housingwealthbook.com). Like any reverse mortgage strategy, these approaches are designed for those who plan to remain in their homes for as long as possible (unless otherwise noted).

1 SELF-INURE
HECM Line of Credit Strategy

Establish a growing reserve of dollars with a HECM Line of Credit and use those funds as needed to cover long-term care costs without having the burden of a mandatory monthly loan payment. This strategy works best when the line of credit is established at the onset of retirement.

2 PREMIUM REPLACEMENT
HECM Replacement Strategy

Clients who have a current house payment can use the HECM Replacement strategy to pay off the loan. Now the money that was going towards their loan payment each month can be reallocated to cover long-term strategies such as premium payments for traditional LTCi or a 10/20 pay Hybrid.

3 MAXIMIZE YOUR "SELF-INSURE FUND"
HECM Exchange Strategy

If your clients are financially comfortable making monthly loan payments, they may continue doing so, but on the reverse mortgage. This reduces the outstanding balance of the HECM, while simultaneously adding funds to the available and growing line of credit for tax-free access in the future.

4 PREMIUM REPLACEMENT
HECM Monthly Payment Strategy

If premium payments are a burden on your clients' monthly budget, they can convert their HECM Line of Credit to monthly payments and use the funds to cover their daily living expenses. Take note that the direct proceeds from a reverse mortgage should not be used to purchase or make direct payments on a product (like long-term insurance). In this case, the premium payments are coming from your clients' income/savings, while the reverse mortgage covers or replenishes their daily essentials.

5 ACQUIRE INSURANCE
HECM for Purchase Strategy

In 2008, as part of the Housing and Economic Recovery Act (HERA), the U.S. Department of Housing authorized the HECM for Purchase (H4P). This reverse mortgage allows retirees to purchase a new home with the proceeds of the HECM financing a portion of the purchase price. A new home usually can be purchased with around a 50 to 60 percent downpayment and requires no monthly mortgage payments.

Having proceeds left over after selling a home is normal for any retiree. Using the HECM for Purchase program is no different as it also will often result in remaining proceeds after the sale of the departure home. Your clients can look to those proceeds to strengthen their long-term care plan with extended care insurance coverage of some kind.

6 GAP FUNDING
HECM Monthly Payment Strategy

While your clients' long-term care or life insurance should cover much of their cost of care, it may not cover everything. HECM monthly payments can help bridge the gap between what their insurance covers and what it does not. It can also fill in if they must leave their job early and need funding until their policy kicks in.

7 POLICY PRICING
HECM Line of Credit Strategy

For those who can qualify for and afford it, traditional long-term care insurance may be the best way to cover long-term care costs. However, to some, this type of insurance is considered more expensive. There are four pricing features on these policies, that when adjusted, can make the price more affordable.

- ✓ **Benefit Amount:** How much per day the policy will pay.
- ✓ **Benefit Period:** How long that amount will be paid.
- ✓ **Inflation Protection:** How the benefit amount keeps pace with inflation over time.
- ✓ **Waiting Period:** How long it will take before the policy begins paying.

Any adjustment in these four features can have a significant impact on premium costs. This is where the reverse mortgage can help. Not only can a repurposed mortgage payment cover the premium, but the establishing of the line of credit can create additional options. For example, your clients could choose a lower benefit amount or a shorter benefit period because the HECM line of credit can be converted to monthly payments to cover the shortfall.

They could also use the HECM Line of Credit growth as an inflation rider—allowing the inflation rider on the other policy to be lowered or even eliminated.

Finally, they could extend the waiting period; the longer the waiting period, the lower the premium for the policy. If they have medical expenses during the prolonged waiting period, they can pull from their established HECM line of credit to fund them.

CAN YOU SEE THE VALUE?

Protecting your clients' assets in the case of an extended care event is an important feature of their retirement plan. Can you see how Housing Wealth gives advisors and their clients the flexibility to offer multiple variations of an extended care plan? By no means do we suggest that the reverse mortgage is the conclusion for every situation, but it should certainly be part of the conversation.

To download your one-page, Housing Wealth case study go to www.HW197.com.

DON GRAVES
RICP®, CLTC®, CSA

Don is the president and founder of the Housing Wealth Institute and an Adjunct Instructor of Retirement Income at the American College of Financial Services. He is considered one of the nation's leading educators on incorporating housing wealth into retirement income planning.

ASK THE ACTUARY

By Marc Glickman, FSA, CLTC®, LTCP

DO YOU HAVE ANY LTCI QUESTIONS FOR THE ACTUARY?
Please submit them to Marc at marc.glickman@lifecareassurance.com.

Disclosure: The author helps financial professionals and consumers connect with insurance specialists.

Dear Actuary,

I was hoping you could help me with this opportunity. I will be interviewed for 15 minutes on a television special about long term care. I can put the replay clip on my website, YouTube, and social media. What should I tell the TV audience? At this point in my 20+ year career, I want to promote myself as an LTC planning specialist, since it differentiates me from those that offer life insurance and annuities, and I want more business!

Marketing in Michigan

Dear Marketing,

Congratulations on this fantastic opportunity. I'm sure you will do a great job educating your audience about LTC planning, but I urge you to begin by telling a powerful story. Use your story as the canvass to paint the picture about LTC planning. Top agents tell stories about client experiences as their most effective and memorable educational tool.

Stories evoke emotion, build trust, and allow you to connect with your audience. When they are short and engaging, stories allow you to put your expertise and point-of-view on display. To demonstrate the power of storytelling, allow me to tell my own personal story.

As an actuary, I've spent more than 10 years of my career designing LTCi products. Recently, I got my insurance license to refer my friends, family, and other advisors with the best insurance specialist agents in the country. What I didn't realize is that getting my insurance license would lead to a chain of events within my family that is still unfolding to this day. I would like to share this emotional roller coaster with you and the important lessons learned.

Recently, my phone rang, and it was a close relative named Colin. Colin is a doctor and a leading expert in his field. Amy, his wife, listened to our conversation. "Your dad told us you got your insurance license," he said. "Could you help Amy and I with our long term care plan?"

I explained to Colin that I would prefer to refer him to a top specialist. He might find it uncomfortable for me to ask intimate questions about his health and finances. He assured me that he was comfortable disclosing these things to me, and I felt confident taking the case. It might even make for a good story.

He began to tell me why he needed LTCi. Suddenly, the realities that I have heard from many LTCi specialists played out before my very eyes.

Wisdom Born from Personal Experience

"As you know," Colin began, "your Bubbe and Zedde (my grandparents), both needed long term care for many years. You saw the impact it had on our family. Deciding who would care for them when everyone lived across the country was heartbreaking. Some of the toughest caregiving years at the end were borne by your mom."

"Zedde was a kosher butcher who was built like an NFL linebacker," he said. "In Poland, during World War II, he was able to manhandle the guards and escape the train to Auschwitz; however, he could not outrun the ghosts of the Holocaust that caused him mental illness after the war. Our family would wake up to the screams of his nightmares of Nazis chasing his family through the woods. He eventually suffered a stroke, which caused him to lose function on the left side of his body."

As I listened to Colin, I recalled how Bubbe also suffered a stroke and required care. She lived with my family for five years when I was in high school. I watched my own mother give up her quality of life to provide round-the-clock care for my Bubbe. The stress and physical burden of managing the caregiving on her own took a physical toll on my mom's health.

Colin continued, "We don't want our kids to suffer the way we did caring for our parents. Although we considered buying long term care insurance in the past, we have not yet decided to move forward."

"Why did you delay purchasing?" I asked. "What were your concerns?"

"Our financial advisor told us that we have enough assets to self-fund the risk. He just wasn't sure if LTCi was worth the cost. We are comfortable about our retirement income, however, each year the pressure to make a decision keeps growing."

Explaining the Options

I've heard the self-funding option as told to me by other LTCi specialists before. It never made sense to me. Wouldn't you be more interested in taking risk off the table, the more assets you have?

I explained to Colin that you can never have too much money to consider a long term care plan. Insurance can be the foundation for a plan even if it covers part of the costs and is combined with self-funding.

There is financial value and often unbeatable insurance leverage. For business owners, there is often the ability to take a tax deduction on the insurance premiums. However, the most important reason for an LTCi plan is to protect your family from taking the burden of caregiving upon themselves – like my family did for my grandparents.

"Amy and I don't want to be a burden to our children," Colin continued. "Amy's father lived until he was 98 and needed care for nearly 15 years due to Alzheimer's. We've also delayed purchasing because we heard that insurance is too expensive and there might be rate increases."

"We can find LTCi that's right for you," I responded.

There are many different types of LTCi these days. There are plans that can be prepaid, and others that offer guaranteed premiums. Even the traditional lifetime payment options are worth considering because they are more conservatively priced than in the past.

"We can build a customized plan that offers excellent value," I explained to Colin. "If you are still interested, let me put together a couple of options."

Colin and I corresponded over the next few days. I interviewed him about their needs, health, and financial situation. Based on their great health, I was able to find them an LTCi product that offered superior longevity protection at an excellent value. Colin and Amy were so delighted about the value proposition that they considered increasing coverage to more fully cover the future cost of care. They even elected to have the premiums paid in full on a shorter schedule using the product's 10-year premium payment option.

As we discussed the underwriting and application process, I learned that they were currently traveling and wouldn't return to their home state to sign the application for a month and a half.

I said, "Heaven-forbid any health issue should happen to either of you before you're back home. You might not be able to qualify for this coverage." While this always felt like a sales line to me, something happened next that I had not expected.

The Cost of Waiting

Two weeks later, my mom called, and I could hear the quiver of fear in her voice. "Colin and Amy were at the gym, and without warning, Amy suddenly collapsed. I wanted you to be the first to know because you had been talking to them recently about their LTCi plans."

I soon learned Amy had suffered a brain aneurysm.

Three things raced through my head during that initial call with my mom:

1. First, will Amy survive?
2. What if she needs long term care?
3. I'm thankful that I got a chance to talk to her two weeks ago.

Inside the Numbers

Insurance agents tend to be analytical types. We spend much of our training learning price and product, features and benefits. Yet, at the earliest conversations with prospects, stories matter much more than numbers. Consider that this is a statement coming from an actuary.

The Bottom Line

Stories build trust, and trust is your most valuable asset as an insurance specialist. So, be authentic, and tell your personal story about why LTCi matters to you. You can tell your clients' stories, too, even if you protect their identities. Writing down these short stories and publishing them on your website or social media accounts can captivate your audience. They will feel compelled to connect and share their personal stories with you too.

Your stories can have happy endings. Did you think I wouldn't finish my story?

Amy has recently been released from the ICU and is recovering extraordinarily well. A little luck played a role in her recovery. In the ambulance on the way to the hospital, Colin—the doctor—chose the best neurology hospital in the area. The surgeons repaired Amy's aneurysm using a cutting-edge procedure.

I may not be able to get Colin and Amy their LTCi Plan A, but I have several ideas on a solid Plan B. Luckily, they are working with a specialist that has many tools, carriers, and products at his disposal. After all, the best plan possible is more important than the best possible plan.

MARC GLICKMAN
FSA, CLTC®, LTCP

Marc is Chief Sales Officer with LifeCare Assurance, an industry-leading product development and administration company dedicated to long term care insurance. His mission is to revitalize the LTCi industry, so consumers have more choices for long term care planning.

Marc co-founded **www.buddyins.com** to help top specialists share their stories, market their business, and get more leads and referrals.

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1005 Slater Road
Suite 101
Durham, NC 27703

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