Certification for Long-Term Care

CLTC DIGEST

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LTC and the Double-Edged Sword for Women

WINTER 2021

INSIDER'S NOTE

In many ways, COVID has impacted each and every one of us. As we begin 2021, it is encouraging to hear about the possibility of in-person events that will allow us to reconnect face-to-face. That being said, this trying time of a global pandemic has made me even more thankful for our members, supporters, and our industry. There has been a great sense of community that continues to remind me why I love my job so much.

Inside this issue:

- Cathy Sikorski (page 2) examines why a long-term care plan is more than long-term caregiving. With proper timing and an understanding of the cost, it is the ability to leave behind a legacy.
- Shawn Britt (page 4) returns with a discussion about how financial professionals can help ease the physical and financial stress that caregivers and care recipients—*both more likely to be women*—will face.
- Over the last 15 years, the number one trend in the life insurance industry has been living benefit riders—most notably, chronic illness and long-term care riders. Ramona Neal breaks down chronic illness riders, beginning on page 10.
- Marc Glickman's Ack the Actuary column (page 15) tackles three of clients' most commonly asked questions clients about LTC insurance.

Please enjoy our first *CLTC Digest* of 2021!

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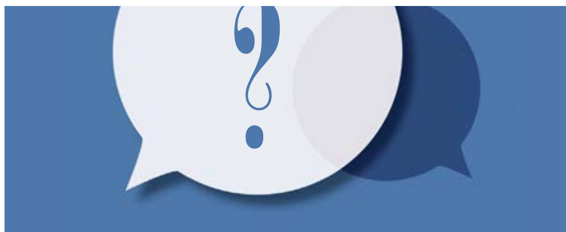

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LTC:
LEGACY, TIMING, COST

Three Things Everyone Wants to Know, But Never Asks

By Cathy Sikorski, Esq.

01. LEGACY

As an elder lawyer, conversations often revolve around the question: "Why do I have to use all of the money I saved from my years of hard work to pay for a nursing home?"

It is a commonly held desire to leave behind a legacy, whether to a spouse, children, grandchildren or to a favorite charity. This conversation is probably the most overlooked by financial planners and requires greater acknowledgment and foresight.

"I understand that you've made this wonderful nest egg for yourself. How would you prefer to use it—to enjoy it while you're alive, or shared with others once you've passed away? Perhaps a combination of both?"

While clients are envisioning a comfortable retirement, they may also be hoping to have a plan for long-term care needs, supporting a widowed spouse, gifting money to grandchildren for college, or being remembered by a church or charity that means so much. How will you help them balance their long-term planning goals?

If clients are in my office because they are in a crisis of long-term care, the legacy question arises instantly as they stare down the cruel barrel of exorbitant health care costs. Luckily, elder lawyers have some magic tricks up their sleeves to help, but I would always prefer that they come to me from a planning situation *long before* a crisis arises. As LTC professionals, we can work together to protect that legacy dream.

You've heard those words, "I've worked all my life for this money, why should I have to pay for that?" or "Medicare pays for that." This gives you the open door to ask, "Where would you like that legacy to go?" Because, once you have that information, you can show them how it is possible to provide that legacy no matter what happens. But we need a plan that accounts for the untold expenses of long-term care to insure the legacy your client so desperately desires.

02. TIMING

This is not about *our* timing as LTC professionals—we would all love our clients to adopt an LTC plan sooner rather than later. It's about *their* timing. As an elder lawyer, I'm often approached at the point when clients or their families are in crisis.

Timing is everything. With my crisis clients, I have a bit more leverage to take quick action. Unfortunately, some avenues, like a Medicaid five-year look-back

period, may prevent us from making some financial transfers that they would have liked to do. On the other hand, the urgency of taking action now does motivate some clients to take financial routes they have ignored for ages.

Without a crisis, timing in the creation of a long-term care plan by our clients *seems* less urgent. Yet, we know that is not true. I highly recommend that you ask your clients if they have had a caregiving experience in their family that would highlight the need for a long-term care plan with real financial foundations. Ask them to consider the following:

- Do they have a parent with health issues?
- Might they be called upon to assist their parents? Or a sibling? Maybe a grandparent?
- Have they observed a family member as a caregiver and witnessed the impact?

Venture to have the conversation with clients about how waiting for the timing to be necessary for a long-term care plan is a bad plan. Once the crisis stage is reached, clients are often forbidden from making advantageous financial decisions. And, among other things, this can have a negative impact on their legacy dream.

Timing can be a plan, and it can be that you agree to revisit this topic with your clients in the future. Do not let this fall by the wayside. Have this conversation with your clients once a year, because the likelihood of a long-term care event becoming a part of their lives gets more real every single day.

03. COST

I have no doubt that you know the real cost of long-term care. And I also believe that you are more than aware of the cost of assisted living, independent living, home care, and all of the other incidentals that go into aging and caregiving. But I can assure you that most of your clients don't know any of this. Unless or until they have had the experience themselves,the sticker-shock of any level of care is jaw-dropping to most people.

Be honest with your clients. It is so easy to use local information to tell your potential clients the truth. Whether you are an attorney, a geriatric counselor, a financial or insurance professional, each of you has a vested interest in educating your clients about the hard truths of caregiving costs in your community.

For example, if you tell a client that Sunny Farms on Route 198 is a lovely nursing home that costs $12,000 per month and Happy Acres on King Street is an assisted living facility that costs $4,350 per month, that is tangible information they likely don't have. Average costs in America, median costs in your state, means nothing to them. You have to make the information relatable. Find out the cost of home care from an agency in their town. To say Home Helpers charges $25 per hour and $37.50 per hour for nights and weekends—and then you do the math for them—your client will have a more vivid understanding of cost and timing.

A long-term care plan is more than long-term caregiving. With proper timing and an understanding of the cost, it is the ability to leave behind a legacy.

CATHY SIKORSKI, Esq.

Cathy is an elder law attorney in Pennsylvania. She speaks and educates on legal and financial preparation for the coming tsunami of aging and caregiving. Cathy is the author of two books: *Who Moved My Teeth? Preparing for Self, Loved Ones and Caregiving* and *Showering with Nana: Confessions of a Serial (~~Killer~~) Caregiver*. Her third book will be published this year. Visit CathySikorski.com.

LTC and the DOUBLE-EDGED SWORD FOR WOMEN

By Shawn Britt, CLU®, CLTC®

Long-term care (LTC) is a need that will affect a majority of all Americans age 65 and older. However, long-term care is not just a story that affects retirees, it is also a story of a double-edged sword affecting women.

Women are the primary non-paid caregivers in this country, and eventually become the majority of the "cared-for" as women tend to outlive their husbands. This poses an obvious need for financial professionals to help women plan for their potential long-term care needs. The average age of a person beginning caregiving responsibilities is 47[1], an age where many people are still working. These women (and men) may face financial challenges that might be eased by advanced thought and planning.

Ten years ago, I wrote an article about the challenges that women face in regard to long-term care. Financial planning for women has been at the forefront for the last decade, so I thought it might be time to look back and see what has changed—and what has not—over the last decade.

MEN'S INVOLVEMENT IN CAREGIVING IS CHANGING

Ten years ago, 75% or more of caregivers were women. Today, men are pitching in more with caregiving than in the past and now comprise 39% of caregivers. Women, however, still represent 61% of people providing care[1]. Interesting to note:

- Men are more likely to help with tasks such as paying bills and taking their loved one to the doctor, while women caregivers are still more likely to be the primary providers of personal care.
- Men are more likely to be a caregiver if younger in age. Men between ages 18 to 49 comprise 42% of adult caregivers, while men between ages 50 to 64 only comprise 35% of caregivers[1].

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GENERATIONAL CHANGES IN CAREGIVERS[1]

It may come as no surprise that there has been a generational shift in caregivers.

- Generation Z (born 1997 or after) is now entering the role of caregiver, though they represent the smallest percentage of caregivers at 6%.
- Baby Boomers (born 1946 to 1964) continue to represent the highest percentage of caregivers (34%), a number that is on the decline as they are now aging into the cared-for.
- The Silent and Great Generations combined (born 1945 or before) are aging out of being caregivers and only represent 7% of people who provide care. This group is now more likely to be the cared for.

EFFECTS ON INCOME AND JOB SECURITY FOR CAREGIVERS

Ten years ago, it was estimated that the cost of balancing working with caregiving could cost a woman an average of $565,000 over her lifetime in lost wages, social security, and pension benefits[2]. Today, that figure is around $324,000, which is still a substantial financial loss[3].

A few explanations for the adjustment to the loss of income may be[1]:

- Men have become more involved in the responsibilities of caregiving.
- Employers are more likely to be aware of their employees' caregiving responsibilities, though that is more likely to be the case when care is being provided to a spouse or parent.
- Workplace benefits for caregivers have increased in availability.
  - Flexible paid time off (a set number of paid days off available for whatever the need is (i.e., sick day)) allows caregivers to take paid time off to tend to caregiving responsibilities.
  - The availability of paid family leave has increased substantially.
- Flexible work hours and work-from-home opportunities are more available than ten years

ago, which may help a caregiver juggle caregiving duty with work responsibilities without reducing as many work hours.

Despite these improvements, caregiving is still impacting the caregiver financially.

MORE CAREGIVER INFORMATION THAN IN THE PAST

Caregiving is a major challenge for many Americans, which has resulted in more studies and understanding on the effects of and changes in caregiving. In addition, there are more supports available than ten years ago to help caregivers handle their challenges. Online help is far more advanced than it was ten years ago. For example:

- Caregivers use the internet to search for services, facilities, and other help they may need with their care duties.
- The internet is also used for managing and ordering the patient's prescriptions and placing orders for groceries and supplies.
- Caregivers are using online videos to learn how to perform specific caregiving tasks.

But online opportunities available to caregivers are also being missed or not utilized.

- Very few caregivers are using the internet to connect with other caregivers—a missed opportunity for emotional support.
- Only a few caregivers are taking advantage of online opportunities to help their patient consult with doctors virtually vs. in person.

LOCATION OF CARE AND THE PANDEMIC

Another change is that people receiving home care from a loved one are more likely now than ten years ago to be living in the same home as their caregiver[1].

But then again, some things don't change. In the past, men were more likely to receive care at home, primarily because their wives were there for support. That old adage "men die married" still holds true for the majority of men.

One reason that women represent over 70% of residents in facilities may be they are widowed and without a spouse to help care for them. Some women will choose to receive home care from family or from a home health care service, while those with more financial means may choose facility care offering more socialization such as a CCRC (continuing care retirement community). Still for other women, nursing home care may be their only alternative due to health reasons or reliance on Medicaid.

How the Pandemic Changed Care Choices

What has changed in just the last year is a substantial increase in the number of people receiving care at home, which may be related in some part to the coronavirus pandemic. For years, LTC insurance companies have reported that just over 50% of claims

began with home health care. In the last year, however, home health care claims have spiked to 70%[4]. A recent survey showed that 89% of families with loved ones in a facility have considered switching to home care due to the pandemic[5].

It will be interesting to see if percentages of at-home care revert back to pre-pandemic percentages once the COVID-based risks and fears of facility care are eradicated.

MORE OPTIONS FOR RECEIVING CARE

There are more choices for care than there were ten years ago. More assisted living facilities and continuing care retirement communities (CCRC) exist now, providing more choices for customized care. For example, a person or couple might want to size down and move into the independent living section of a CCRC where they can enjoy socialization and the elimination of home upkeep. But should a need for help with their care arise, they may be able to contract with the CCRC for needed services, allowing them to remain in their current living situation longer, and delaying (or avoiding) assisted living.

The expansion of cash indemnity policies, where the insurance company places no restrictions on how LTC benefits are spent, has also made family care a more palatable option.

- Family members can be paid, helping to reduce financial stress for the caregiver.
    - Family members may be more comfortable being paid by their loved one knowing the source of the money is coming from an insurance company, not their loved one's savings.
- Should circumstances cause the need to quickly change care plans, there is no need to get permission from the insurance company.

THE BOTTOM LINE: LTC IS STILL A DOUBLE-EDGED SWORD FOR WOMEN

The last ten years have seen many positive long-term care changes that have been helpful to women, but in the end:

Women as Caregivers:[1]

- Are more stressed than male caregivers.
- Spend as much as 50% more time caregiving than men[6], which may help explain why:
    - Women are less likely to be employed than male caregivers.
    - Women caregivers who work are more likely to earn hourly wages, as opposed to being salaried. This creates a bigger financial impact to women who must cut back work hours to provide care.
    - Women caregivers report a greater need to rely on friends and family than men who provide care.
    - Women are more likely than men to care for someone who is not a relative.
    - Women caregivers are more likely to report having no choice in taking on caregiving responsibilities.

Women as the Cared-For:

- Women live an average of five years longer than men and, as such, are more in need of LTC services than men[7].
- Women are three times more likely to live to age 90 and 80% are widows by this age, compared to only 40% of men[8].
- Women comprise 64% of long-term care claims[9].
- Women are likely to be on a long-term care claim 50% longer than men[9].

MORE REALISTIC STATISTICS ON LTC NEED

Long-term care is a need that will affect approximately 52% of all Americans over age 65[10]. Notice I did not say 70% of people will need care. Leaders in the LTC

industry have sifted through the statistics to find that studies showing a high percentage of LTC need, such as 70%, allowed the inclusion of non-HIPAA activities of daily living (ADLs) in the calculation. That means that ADLs that would *not* have been applicable to a tax-qualified LTC insurance claim were included in the math. When the qualifiers are adjusted to only include those that would qualify for a claim with a tax-qualified long-term care policy, the number becomes a more realistic 52%.

LTC industry leaders have provided insurance companies with this information, and we are starting to see some adjustments in marketing materials to show the more appropriate and realistic number of 52%. As CLTC teaches, statistics will not take you far with a client. Conversation should focus more around consequences. It is important to consider:

- The ever-lingering statistic of "70% of Americans over 65 will need some level of long-term care at some point in their life" is misleading in regard to the marketing of LTC coverage and should not be used.
- 52% is still a substantial number of people that will need LTC at a level that will qualify for a LTC claim; thus,
- Planning for potential LTC needs ahead of time and how those expenses will be paid for is part of good retirement planning; and
- Anyone who faces the potential of being an unpaid caregiver for a loved one or friend should try to prepare personally and financially before the need to provide care occurs.

HELPING CLIENTS PLAN FOR THEIR LONG-TERM CARE NEEDS

While the last ten years have continued to see a downward shift in traditional LTC sales and the number of companies selling traditional LTC products, there are also more choices than ever for helping clients find the right LTC funding solution. More companies than ever are offering linked benefit LTC policies (also known as "hybrid" or "asset based"), which offers many of the popular features on traditional LTC policies, plus premium protection. LTC riders on life insurance are now abundant, allowing people to plan the life insurance needs they have now with a policy that can transition to meet future LTC needs.

LTC protection is something everyone should consider, but it is especially important for women to consider in regard to themselves and their spouse/partner. Long-term care coverage for the husband may also benefit the wife. Even if a robust benefit is not purchased, recommend the male client purchase enough LTC benefits to pay for the "heavy lifting." Since she will be doing less of the heavy physical caregiving herself, her own health and well-being may be preserved, leaving her in a better place to attend to other caregiving tasks.

As America continues to age, the challenges of long-term care will only become more critical. By helping clients plan for a potential LTC event and how to help pay for it, financial professionals can help ease the physical and financial stress that caregivers and care recipients—both more likely to be women— will face.

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.

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CHRONIC ILLNESS RIDERS

How Much Do You Really Know About Them?

By Ramona Neal, CLU®, ChFC, CLTC®, REBC

Over the last 15 years, the number one trend in the life insurance industry has been living benefit riders—most notably, chronic illness and long-term care riders. They have given new energy to life insurance and revolutionized the industry. In some instances, these riders have become so germane to the sale that advisors lead with promoting their living benefits. Today, they can be found in every product category, including term. Per LIMRA, these riders, when combined with hybrid products (aka *linked benefit*), accounted for 30% of all individual life premiums in 2019.

> If **you** don't know what type of chronic illness rider you're selling, then how can your clients know what they're buying?

What happens if your clients go to make a claim and they are crushed with the discovery they can only accelerate a fraction of the death benefit to help cover their LTC expenses? The good news for you is there is a simple rule of thumb to help you establish which type you are selling.

RULE OF THUMB

Ongoing Charges
If the rider has ongoing charges, then the entire death benefit can be accelerated. These charges are taken right off the premium or they are deducted off the cash value each month. These riders require separate underwriting based on morbidity. This applies to all LTC riders and some chronic illness riders.

Charge at Acceleration
If the charges for the rider are determined at acceleration, then only a portion of death benefit is eligible to be accelerated. Typically, these riders do not require underwriting and are often automatically issued with the policy up to a certain age/rating. This applies to most chronic illness riders in the market and there are two calculations:

- **Discount Method** (most common)
  The amount of death benefit eligible to be accelerated depends on various factors such as age, life expectancy, severity of condition, gender, future premiums, cash value, permanent or term product, and interest rate. Logically, since the charge is unknown until the time of claim, it stands to reason that the actual chronic illness benefit amount is also unknown until the time of claim.

- **Lien Method**
  A second less common variation of no-charge-until-acceleration rider utilizes the lien method. Here the chronic illness benefit amount is known at policy issue, such as 50% of the death benefit subject to a maximum. But, once again, what's not known is how

much it will cost. The cost (compounding lien) is deducted from the remainder death benefit paid to the beneficiary. So, the longer the insured lives after acceleration, the larger the lien amount grows—resulting in a potential death benefit of $0.

Let's take a look at a hypothetical example: a $500K policy issued to a 30 year-old female, and accelerated 15 years later, can result in two dramatically different outcomes based on illustrations from two companies:

- **Chronic Illness Rider with Ongoing Monthly Charges**
  The entire $500K is eligible to be accelerated over four years to help cover long-term-care expenses. Total cumulative rider charges are $1,200.

- **Chronic Illness Rider with Charge Determined at Acceleration** (Discounted Method)
  $195K is eligible to be accelerated over four years, resulting in a rider charge of $305K.

Needless to say, the difference between a $500K benefit and $195K is so profound it cannot be ignored and should not be confused by insurance professionals.

WHAT YOU CAN DO

Selling Today
Take a close look at what you are currently selling so you can adequately represent the chronic illness benefit.

- Can they accelerate the entire death benefit?
- Does the company hold back a percentage such as 5-10% to help cover final expenses at death?
- Is the charge determined at acceleration where either the chronic illness benefit is unknown (discounting method), or the remaining death benefit is unknown (lien method)?

Many carriers now have an optional report where you can illustrate the rider benefit by inputting various

ages at acceleration. (Sometimes you must search for this report under another tab.) It's probably a good idea to use these reports, along with client rider guides and FAQ, to help better describe the benefit. This is especially important if the focus on living benefits is a key component of your sales process.

Previously Sold

For chronic illness riders (aka *accelerated death benefit riders*) that you've previously sold, take an inventory of those that have the charge determined at acceleration (discount/lien). You can check the policy or final illustration to help you decipher.

> **NOTE:** I would not use the insurers current rider guides since their rider benefits have likely changed. For example, most chronic illness riders issued prior to December 2014 required the condition to be permanent and expected to last the rest of the insured's lifetime. Furthermore, even in instances where a carrier makes an enhancement to an existing rider, usually it applies only to new issues. If you don't have information on the riders you've sold, contact the carrier to ask. Maybe you can get an in-force illustration reflecting their current age for acceleration. Then you can refer to it with your client at their annual review and/or send it to them.

ALL CHRONIC ILLNESS RIDER VARIATIONS ARE GOOD

In fact, those riders with no charge until acceleration can be especially appealing for certain sales applications where the priority goal is to minimize costs and maximize cash value growth such as to help supplement retirement income. The problem isn't any of the riders. The problem is failure to adequately manage client expectations of how they work.

Living benefit rider solutions and hybrid products are good for our industry. For consumers they find comfort and peace in knowing they can accelerate the death benefit while still alive, particularly smack dab in the middle of a pandemic. But, if we don't know what we are selling, then we can't possibly know the most suitable option. The time is now to become proficient in the rider variations, especially for those of you who have made these riders the cornerstone of your life insurance sale by focusing on them.

RAMONA NEAL
CLU®, ChFC, CLTC®, REBC

Ramona has 29 years of experience in the life insurance industry with roles in field sales, competitive intelligence, advanced sales, and policy administration. She has extensive history helping advisors and wholesalers position insurance products. Ramona is president of Living Benefit Review, LLC. The company provides impartial competitive intelligence services for life insurance with LTC solutions: hybrid products, chronic illness, critical illness, and LTC riders.

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Rider	Entire Death Benefit can be Accelerated to Cover LTC Expenses?	Health License and Continuing Ed is Required?	Rider is Subject to Underwriting?	LTC or Chronic Illness Benefit Amount is Known at issue?	Built-In Consumer Protections? NAIC LTC Model Regs	Sales Applications (Opinion)
Long-Term Care Rider (with ongoing charges) Can be described and marketed as long-term care. (IRC 7702B)	**YES**	**YES** Subject to state variation.	**YES** Morbidity	**YES**	**YES** • Unintentional lapse • Lapse Protection while on claim • Reinstatement provisions • Extension of benefits	The LTC rider benefit is an important priority. Consumers who want option to accelerate entire death benefit for LTC expenses, if needed. (Subject to company maximums.)
Chronic Illness Rider (with ongoing charges) (IRC 101(g))	**YES**	**NO**	**YES** Morbidity	**YES**	**POSSIBLY**	The chronic illness rider benefit is an important priority. Consumers who want option to accelerate entire death benefit for LTC expenses, if needed. (Subject to company maximums.)
Chronic Illness Rider (charge at acceleration) **Discounted Method** (IRC 101(g))	**NO**	**NO**	**NO** Rider may be limited to certain ages and ratings.	**NO** Both the charges and chronic illness benefit are unknown at issue and determined at the time of claim.	**UNLIKELY**	Chronic illness benefit is not leading priority. Consumers who have another focus, such as cash value accumulation (i.e., retirement income, college savings). Don't have drag of ongoing rider charges
Chronic Illness Rider (charge at acceleration) **Lien Method** (IRC 101(g))	**NO**	**NO**	**NO** Rider may be limited to certain ages and ratings.	**YES** The chronic illness benefit is known at issue. Charges are in the form of a lien applied against the death benefit. The remainder death benefit amount is unknown until death.	**UNLIKELY**	Known chronic illness benefit amount is important. Consumers may have another focus such as cash value accumulation, (i.e., retirement income, college savings). Don't have drag of ongoing rider charges.

MEMBER SPOTLIGHT
CLTC Board Member Profile

COURTNEY S. CRENSHAW

Q: How did you first get involved in LTC planning?

A: When I began my career in the financial services industry, I worked with a team of advisors building relationships with the 2nd and 3rd generations of their existing client base. This often led to me being the first point of contact when their loved ones became chronically ill in need of Long-Term Care services and resources to pay for their care.

Q: What do you find most challenging about LTC planning?

A: The most challenging aspect of long-term care planning are the consumers and financial advisors avoidance of the conversation.

Q: What is the best (or worst) thing to happen to you since you started in this industry?

A: The best experience I've had since working in this industry was meeting an attendee of one of my LTC Consumer Workshops while shopping in the local grocery store. She stopped me to tell me how she and her husband attended one of my presentations a few years ago and he was apprehensive about paying for another insurance policy. But the moment I said, "this is a gift to your spouse..the gift of peace of mind", they decided to purchase LTCi policies and have shared that phrase with all of their friends too.

Q: Who has been your best mentor in this business?

A: The best mentor I've had in this business has been my grandmother, Dorothy-Helen Moody. She and I have spent hours creating talks to help families understand the importance of having the Long-Term Care conversation before a crisis.

Q: If you could change one thing about the public views on LTC planning, what would it be?

A: The one change would be to emphasize that Insurance is not Long-Term Care Planning. Insurance is just one of the options to answer the funding question of a Long-Term Care Plan.

Q: What changes do you see happening in the next 5 years?

A: In the next 5 years, there will be additional states creating mandates of having some level of LTC coverage. This will create another opportunity for financial professionals to be more proactive in LTC planning.

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

A: I am doing what I love to do and couldn't imagine doing anything else. However, I do have a few developing hobbies such as videography and crafting.

Q: How has being a CLTC professional helped you succeed?

A: The CLTC Designation has provided me with the opportunity to partner with other financial professionals as an LTC Specialist. This has allowed me to build partnerships based on Client Educational Workshops and Individual Planning and Protection LTC Strategies.

Ask the Actuary

Top Three Questions Your Clients are Asking

By Marc Glickman, FSA, CLTC®

Do you have an LTCi question for the actuary?
Submit to marc@buddyins.com.

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

Since starting BuddyIns, we've hosted a number of webinars for consumers and advisors on a wide range of LTC topics. During registration, we ask: "What about long-term care insurance do you want to learn?" One simple question leads to an amazing amount of insight into the mind of the audience. I've put together the top three questions that were asked about LTC insurance.

THE AGE-OLD QUESTION:

"At what age should I buy LTC insurance?"

LTC planning involves your health and your wealth. Both are important factors to help you decide when to buy insurance.

Your health is the most important criteria that allows you to qualify for your best insurance options. Many people are not going to be as healthy as they are today, so it's important to consider the plans available to you right now. Over the last 15 years, insurance companies have become more careful in underwriting. I do not expect this trend to soon change.

Your wealth helps you determine if you can comfortably afford the cost. With LTC insurance, most people do not want to pay the premium only to drop the policy later. However, the best value available is often the policy that you can get today. Prices tend to be lower at younger ages. Just as important if you have a longer time horizon, you can accumulate more benefits with the popular compound inflation protection options.

If affordability is a concern, sometimes a good strategy can be to buy a small amount now and leave yourself the option to buy more later.

We are commonly seeing individuals in their 40s (and even 30s) buying LTC insurance. As an example, I recently had a good friend in his early 40s ask about LTC insurance. He had been diagnosed a few years ago with a genetic condition that caused his blood sugar readings to be off the chart. With diligent diet and exercise he made a dramatic transformation, and over a year later, he has been in the safe zone on his readings.

During a recent BuddyIns webinar, my friend learned that he could use his HSA to fund LTC insurance. Based on his age, he could fund a modest amount of coverage out of his HSA with pre-tax contributions and the benefits of the policy would still be tax-free.

Would the insurance company allow him to obtain coverage given his health condition? We were pleasantly surprised that the company only requested that he show good blood sugar readings for the last 12 months, which he had recently achieved.

For him, this was a no-brainer to start funding his coverage early. The reason being that there was a risk of him not being able to qualify later, but also he could leverage a tax-advantaged funding strategy.

Sadly, it is all too common to see many clients that wait just a little too long to buy and regret not having access to their best options.

SELF-FUNDING V. LTC:

"Why should my wife and I buy LTC insurance instead of investing the money ourselves to fund the risk? How much does LTC insurance cost?"

The most direct way to analyze the value proposition of insurance is to compare the premium to the benefits. Long-term care specialists help you shop the market for insurance that best fits your overall goals, budget, and what you want your LTC plan to be.

Here's an example of a 60-year-old married couple who recently worked with an LTCi specialist. They had the same concerns. Their financial advisor was under the impression that LTC insurance would be too expensive, until he saw the chart at right.

This traditional policy had a combined cost of about $400 per month. The policy had total benefits if they needed a combined 15 years of coverage after a 90-day waiting period of about $1,922,762. The key for this couple was affordability and value.

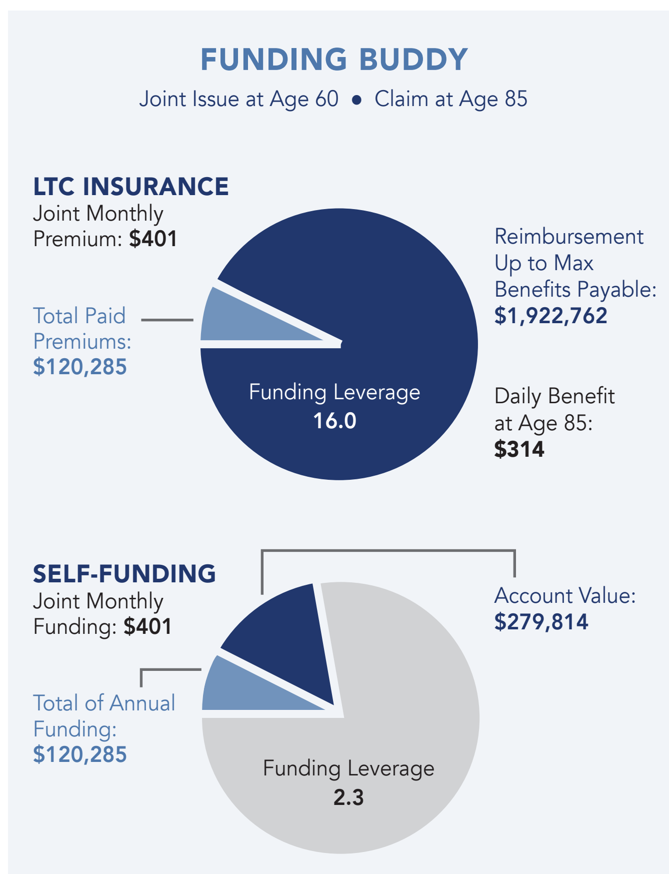
The advisor compared the insurance to investing the $400 per month over 25 years at a 6% compound rate of return. The insurance leverage far exceeded self-funding the risk.

The same analysis can be done with a hybrid policy which combines life insurance or annuities with an LTC extension rider. Typically, the insurance leverage on these plans will be less, but the cash value in the policy can provide the client a return of their premium while still offering a favorable comparison to investing at low interest rates.

Policies with premium payments over the first 10 years or as a lump sum can also be analyzed in the same way.

Self-funding has the benefit of flexibility in the use of the funds. However, in this case, insurance provided:

- More benefits for the premium dollar
- Tax-free benefits, whereas the investment proceeds in this case may have been subject to capital gains tax
- Peace of mind so the client would not have to worry about liquidating investments at an inopportune time



THE PRE-EXISTING CONDITION:

"My wife and I are in our mid-60s and own our own accounting/tax business. We would like to get LTC insurance; however, we may be rejected if we try to get a policy. We both have had cancer, although without a reoccurrence in over a decade. I have heard that an insurance company can reject you if you have EVER had cancer. Are hybrid policies less stringent than the 'traditional LTC-only' policies?"

The good news is that many clients who think they are uninsurable with single conditions, like past cancers, often qualify for excellent plans. LTCi and hybrid companies have different criteria on how they treat cancer, depending on type, staging, how long ago, recurrences, and other conditions.

We commonly see a similar concern where clients don't realize that, although the conditions that they have may not qualify them for one product, they can still qualify for another.

We recently had an advisor come to us right on the verge of recommending an excellent life-based hybrid product to their clients. The clients were ages 74 and 70, but health had not been discussed, so we suggested they talk to a specialist to determine their best options.

After further discussion, it turned out that both clients had significant health issues and they were heading down a path of being declined by the insurance company. The specialist did a lot of research and was able to find an annuity with LTC rider hybrid that not only approved the client, but also provided nearly as much in LTC benefits as the original option.

For your plan, you may be able to pay the premium through your business and take a tax deduction!

MARC GLICKMAN, FSA, CLTC®

Marc is CEO and Founder of BuddyIns.com; a community of long-term care planning experts. His mission is to help families across the country get an LTC plan and to support the 44 million caregivers in the US. Marc is an actuary by profession and a licensed insurance agent. He is a graduate of Yale University with a degree in economics. He lives in Southern California with his wife and two kids.