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## How to Get Started With Long Term Care

The largest groups of people who buy long term care insurance are the ones who have had personal experience. They've seen their mothers or fathers spend everything on care, the impact it had on them and their family, and they don't want that to happen to their spouse and children.

LTC Insurance is like health insurance, it's for really big events, the kind that could cause you to use up all your savings and assets. People who haven't personally experienced or had to watch life savings disappear paying for long term care think that long term care insurance is expensive. The truth is that it's not cheap but still pennies on the dollar compared to the out-of-pocket cost of long term care.

But why the high premium? You have about a 1 in 1300 chance of your home being destroyed and because of these odds homeowners insurance averages \$730 a year. How much would homeowners insurance cost if the chances of your home being destroyed (1:1300) were the same as your chances of needing long term care (1:2)?

Because the odds are at least 1 in 2 that you (and spouse) will need long term care you should either set aside an average of \$200,000 for care (\$400,000/couple) or you can buy insurance. Either way you have a good chance of needing care and either way you are going to pay for it: out-of-pocket or insurance.

If you're the type that spends weeks or months looking into how to pay for long term care insurance and the horse gets out of the barn it's too late to close the door.

If you had a stroke tomorrow would it matter how you're paying or would it matter that you're insured? You should treat long term care insurance with as much urgency as you would health insurance.

### Who Should Not Buy Long Term Care Insurance?

A long term care policy would not make sense for someone with low income and little or no assets.

You probably should not purchase long term care insurance:

- if you currently receive or may soon receive Medicaid benefits
- if you have limited income/assets and can't afford the premiums over the lifetime of your policy
- If your only source of income is a social security benefit or supplemental security income.

If you are considering replacing an old long term care insurance policy make sure the new policy is affordable because it will cost more since you are older. It should also have benefits that your old policy lacks. You will be required to fill out a policy replacement form to confirm that the new policy is better for you. Most states have removed the financial incentive for agents to replace policies; they get a lower commission on replacement policies. Sometimes you would be better off



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keeping your old policy and adding a second policy to cover what is missing in your first policy. If you have questions about your current policy, we will be glad to go over what you have and provide you with your options.

### **Why People Buy Long Term Care Insurance**

Here are six most common concerns about long term care and the reasons people buy long term care insurance:

**Burden** - Do not want to be a financial or emotional burden on others.

**Access to quality care** - Being able to select a quality facility in a location of my own choosing.

**Aversion to welfare (Medicaid)** - Not wanting to be dependent on the government for care.

**Asset protection** - Preserve assets for healthy spouse, inheritance for children or donation to charity.

**Control and independence** - I want to maintain personal control in the choices I make.

**Peace of mind** - Knowing I am protected instead of worrying about what could happen.

### **Do I need Long Term Care Insurance?**

The majority of people are not aware of the likelihood of needing long term care. The following questions can help you determine whether you may need the protection provided by long term care insurance.

1. Can you afford to use your savings or retirement income to pay for long term care at \$150-\$300 per day?
2. Do you have assets excluding your home that are at risk?
3. Has anyone in your family ever needed long term care?
4. Would taking care of you be an emotional or physical hardship for your spouse/partner?
5. If your spouse/partner needed long term care, would you be able to provide it now and when you are older?
6. Would the people caring for you be able to maintain the quality of their own lives?
7. Are you concerned with being able to afford long term care?

If you answered "yes" to two or more of these questions you should consider long term care insurance.

### **When Is the Right Time To Buy?**

Often what prevents people from insuring against the high cost of long term care is the cost of the premium. Even though the younger you are the cheaper long term care insurance is, if you are older and can health qualify then long term care insurance will still be pennies on the dollar less than paying yourself.

If you are younger and your comprehensive policy costs \$2,000/yr, and you paid for 30 years, that's \$60,000.

If you are older and your comprehensive policy costs \$5,000/yr, and you paid for 12 years, that's \$60,000.

If you paid for care yourself \$60,000 would only cover about 9 months of care at today's rate!



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People who balk at paying \$2,000-\$5,000 a year for insurance are risking having to pay \$5,000-\$9,000 a month for care -- as Mr. Spock would say, "That's illogical."

What if you needed 4 years of care? Where would the \$200,000+ come from?

The U.S. Government Accounting Office and The Wall St. Journal recently reported that as many as 60% of all Americans will require some long term care because we're living longer which makes needing long term care more likely.

So you are basically saying to your kids, "rather than insuring, I'm risking your inheritance, and by *the way you'll also have the burden of caring for me.*"

Single people living alone are often the most needing of assistance at home. Most health insurance and Medicare/Medicaid provide very little if any at home care.

Some long term care insurance plans have a waiting period (deductible) before you can claim benefits for home care. Often the most needed time for assistance is at the beginning. This recovery time can be even more difficult for a single person.

If you choose a policy with a home care deductible make sure you have a plan to cover the waiting period by either paying for care yourself or having unpaid help like a friend or family member.