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## Long Term Care Solutions

There are a number of possible solutions to the need for long term care for you. Let's look at these first since they are the most common solutions.

**1. Self Insure** - this is by far the most expensive way to pay for long term care, out of your pocket. People work their entire lives planning for retirement so they can have the income to live the lifestyle they want. To pay for long term care you'll have to spend your income, your lifestyle will change.

Self insuring is also the way many people spend their life savings only to end up on welfare (Medicaid) if they run out of money.

If you do not have long term care insurance now you are self-insured and if your health suddenly changed you may not qualify for insurance and would have to pay yourself. (P.S. health changes are always sudden)

**2. Medicare/Medicaid** - as you saw with Medicare/Medicaid page there are serious limitations when using these as solutions. Medicaid decides where you stay and who takes care of you. You must meet the poverty asset and income requirements and your estate can be liable for your expenses.

**3. Commercial Long Term Care Insurance** - there are a number of reputable companies that offer competitive products for long term care risk. Historically this type of coverage has been considered expensive because people have waited until they were older to protect themselves.

Today, insurance companies are finding younger people getting coverage as a way to lock-in their health to ensure quality care and protect their hard-earned assets. Many financial advisors are encouraging people in their late 40s and 50s to begin insuring earlier to protect their assets and retirement funds rather than waiting until it is more costly or they become uninsurable.

Most people create a policy that reflects how much risk they are willing to take. Some people choose a policy based only on statistics and averages. Some may consider their health history and also their family history when designing a policy especially if they have longevity or illness such as heart disease and Alzheimer's in their family.

As with all insurance you are betting you won't use it but the chances are almost certain you'll need some long term care. The cost for insurance is pennies on the dollar compared to the cost of care. Usually policies bought in one state are good for coverage in another state in case you move.

**4. Group Plans** - are designed to provide an affordable long term care insurance to members of associations. Usually both the employee and employer share the cost of the premiums. Some commercial companies offer a small discount on individual policies when a group apply for insurance from the same company or organization.

Most states have state employee retirement funds that have set up a long term care program for state, county, city, and school employees. State Retirement Funds are not regulated as insurance companies are so are left on their own on how to manage the long term care premiums collected from policyholders. Some state retirement funds offer policies with fewer benefits and higher

**5. Foreign Care** - some people plan to move to another country to offset the costs of care in the US Often they have family and/or friends in those countries that can provide some assistance.

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**6. Life Insurance with Long Term Care Rider** - more costly than long term care insurance, has health underwriting and has cash value. The death benefit determines the (tax-free) LTC monthly payout. The death benefit is exhausted first for LTC then the rider continues to pay benefits. Any death benefit not used for LTC is passed on (tax-free) to beneficiaries. An example would be for age 49, non-smoker, 3 year LTC benefits, Simple Inflation Protection, a \$100,000 lump sum provides a monthly LTC benefit of \$6,100 and a death benefit of \$222,300.

**7. Single Premium Immediate Annuity (SPIA)** - The annuity requirement is based on age and premium amount. This puts a cap on how much will be spent on long term care insurance.

For example a 55-year old with a \$3,000 a year premium may require a SPIA of \$50,000. An example SPIA may be 15 years guaranteed and life thereafter which will be used to pay the annual premium. If the person dies during the SPIA 15-year "guaranteed" period any remaining money in the SPIA account goes to their beneficiaries.

If they outlive the SPIA amount, that is in year 16 and subsequent years, even though the original SPIA has been depleted of money, the originator of the SPIA continues to pay out \$3,000 a year for "life thereafter" so the long term care insurance premium can be paid.

This example used a SPIA to pay a maximum of \$50,000 for lifetime long term care insurance. If they would have been paying in annually without using a SPIA at about age 72.5 they would have spent \$50,000 on long term care insurance. At age 75 they would have paid in \$60,000. Another benefit to the SPIA is that when on claim most long term care insurance premiums are waived (you don't pay while on claim), but the SPIA still pays you \$3,000 annually for the rest of your life.

**8. Single Premium Deferred Annuity (SPDA)** - The annuity that does not require underwriting is a Single Premium Deferred Annuity with a long term care rider. The annuity and the rider are connected but are also separate. The amount of the Monthly LTC Benefit is based on the amount put in the annuity and the age of the person when the annuity is taken out, ages 40-55 it's 3%. So if you have a \$100,000 annuity your monthly LTC benefit would be \$3000 on day one (since the annuity increases over time so would the monthly benefit). The rider has a 6-year waiting period and today a basis points of 55. Which means \$550 would be taken out of the annuity to pay for the rider every year. The rider benefits will be paid out not from your annuity but from the insurance company, the annuity is not touched for LTC benefits and keeps growing unless you withdraw from it. If you die then the annuity goes to your beneficiary. One way to look at it is you're buying a 3 year (36 month) \$3,000 a month benefit long term care insurance policy for \$550 a year, plus you have the annuity.

**9. Reverse Mortgage** - a reverse mortgage is an option in some cases. It is not to be considered a replacement for long term care insurance since you must live in your house, once you leave the loan is due. The size of the benefit is determined by: the borrower's age, the FHA maximum lending limit, and current interest rates. The tax-free proceeds do not affect the borrowers Social Security or Medicare. The money can be used to fund home care when there is limited income.

**10. Corporate Benefits** - Small Businesses can take advantage of multi-life discounts, group plans, simple underwriting. Also available are Executive LTC programs, Employer purchased programs with employee buy-up options, Voluntary Employer Programs and Association Plans. Contact us for more information.