

# How Can LTC Insurance Help You Protect Your Assets?

*Plan to create a pool of healthcare dollars that will grow in any market.*

Provided by JOSEPH A. GARAFANO, CFP®

**How will you pay for long term care?** The sad fact is that most people don't know the answer to that question. But a solution is available.

Many baby boomers are opting to make long term care coverage an important part of their retirement strategies. The reasons to get an LTC policy after age 50 are very compelling.

Your premium payments buy you access to a large pool of money which can be used to pay for long term care costs. By paying for LTC out of that pool of money, you can help to preserve your retirement savings and income.

The cost of assisted living or nursing home care alone could motivate you to pay for an LTC policy. Genworth Financial conducts a respected annual Cost of Care Survey to gauge the price of long term care in the U.S. The 2014 report found that:

\*In 2014, the median annual cost of a private room in a nursing home is \$87,600 or \$240 per day – up 4.35% from last year. The median annual cost of a semi-private room is \$212 a day, which calculates out to \$77,380; that is 2.62% greater than what Genworth estimated last year.

\*A private one-bedroom unit in an assisted living facility has a median cost of \$3,500 a month, which for the record is 1.45% higher than in the 2013 survey.

\*The median hourly payment to a non-Medicare certified, state-licensed home health aide is \$20 in 2014, up 1.59% from 2013.<sup>1</sup>

Can you imagine spending an extra \$40-90K out of your retirement savings in a year? What if you had to do it for more than one year?

The Department of Health & Human Services estimates that if you are 65 today, you have about a 70% chance of needing some form of LTC during the balance of your life. About 20% of those who will require it will need LTC for at least five years. Today, the average woman in need of LTC needs it for 3.7 years while the average man needs it for 2.2 years.<sup>2</sup>

**Why procrastinate?** The earlier you opt for LTC coverage, the cheaper the premiums. This is why many people purchase it before they retire. Those in poor health or over the age of 80 are frequently ineligible for coverage.

**What it pays for.** Some people think LTC coverage only pays for nursing home care. It can actually pay for a variety of nursing, social, and rehabilitative services at home and away from home, for people with a chronic illness or disability. For example, it can fund home health care, care in a group living facility and adult daycare.<sup>3</sup>

**Choosing a DBA.** That stands for Daily Benefit Amount - the maximum amount that your LTC plan will pay per day for care in a nursing home facility. You can choose a Daily Benefit Amount when you pay for your LTC coverage, and you can also choose the length of time that you may receive the full DBA on a daily basis. The DBA typically ranges from a few dozen dollars to hundreds of dollars. Some of these plans offer you “inflation protection” at enrollment, meaning that every few years, you will have the chance to buy additional coverage and get compounding - so your pool of money can grow.

**The Medicare misconception.** Too many people think Medicare will pick up the cost of long term care. Medicare is not long term care insurance. Medicare will only pay for the first 100 days of nursing home care, and only if 1) you are getting skilled care and 2) you go into the nursing home right after a hospital stay of at least 3 days. Medicare also covers limited home visits for skilled care, and some hospice services for the terminally ill. That’s all.<sup>4</sup>

Now, *Medicaid* might help you pay for nursing home and assisting living care, but it is basically aid for the destitute. Some nursing homes and assisted living facilities don’t accept it, and for Medicaid to pay for LTC in the first place, the care has to be proven to be “medically necessary” for the patient. Do you really want to wait until you are just about broke to try and find a way to fund long term care? Of course not. LTC insurance provides a way to do it.<sup>5</sup>

**Why not look into this?** You may have heard that LTC insurance is expensive. Annual premiums on LTC policies have increased 30-50% in the past several years. Even so, the yearly premiums (which run about \$2,000 for a typical policy for a 55-year-old male) are cheap relative to the financial burden those without an LTC policy might face in the future.<sup>6</sup>

Ask your insurance advisor or financial advisor about some of the LTC choices you can explore – while many Americans have life, health and disability insurance, that’s not the same thing as long term care coverage.

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#### Citations.

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