

# Four Quick Tips

## on Long-Term Care Planning



*Know when to start planning*



*Consider the cost of care*



*Ways to save*



*Policy design options*

# Four Quick Tips

## on Long-Term Care Planning

**H**ave you ever been involved in providing extended care for a family member or relative? Have you thought about what would happen if you needed care for several months or for many years? The associated costs may threaten a lifetime of savings. Caregiving can place a significant emotional and physical burden on spouses and family members that many would like to avoid. This latest guide from the American Association for Long-Term Care Insurance will help you make better decisions when considering your LTC planning needs and options.



### 1 Know When To Start Planning

You will never be younger or healthier than you are today. If you want to consider long-term care (LTC) insurance as part of your plan, here are two facts to know:

- At younger ages, you are more likely to qualify for good health discounts. Plus, you lock in these savings even if your health changes.
- The younger you are, the lower your annual premium may be. Waiting may only cost you more.

#### Early Planning Lets You Establish Lower Rates<sup>1</sup>

AGE PURCHASED	AVERAGE MONTHLY PREMIUM
40	\$65.13
45	\$71.04
50	\$80.75
55	\$96.95
60	\$124.96
65	\$361.21

#### WHAT IF I ALREADY HAVE HEALTH ISSUES?

Not everyone can health qualify for LTC insurance. That's an important reason to start now, because changes in your health may make it difficult for you to obtain coverage.

If you already have health issues, it pays to ask now to see whether you can qualify for coverage. Speak with your insurance or financial professional.

### 2 Save By Sharing Some Of The Risk

An LTC insurance policy is only as expensive as you make it. The most important step you can take now is to make sure you have some level of protection in place versus ignoring the risk all together.

Deductibles are what you'll pay out-of-pocket before your insurance coverage kicks in. Similar to other insurance products, higher deductibles (commonly referred to as "Elimination Periods") will help reduce the cost of your policy premium.

#### Higher Deductible Equals Greater Premium Savings<sup>2</sup>

DEDUCTIBLE	DIFFERENCE
30-Day	---
60-Day .....	14.6 %
90-Day .....	17.2 %
180-Day .....	25.5 %
365-Day .....	39.0 %

In addition to focusing on your deductible, consider what savings and income you may have in the future that you are willing to use to pay part of your future care costs.

#### LTC PLANNING GUIDES

Read the four guides from prior issues of Kiplinger's, available now online: [www.AALTCI.org/guides](http://www.AALTCI.org/guides)



1. AALTCI calculations are averages based on leading carrier rates and an initial \$216,000 pool of benefits (\$6,000 per-month and a 3-year benefit period) with option to increase. Male, preferred health, 90-day deductible, July 2013. Monthly cost derived by dividing annualized cost by 12.  
 2. AALTCI calculations are averages based on leading carrier rates, an initial \$216,000 pool of benefits (\$6,000 per-month and a 3-year benefit period) with option to increase future benefit pool. Male, age 55, preferred health, July 2013.

### 3 Value The “Pool Of Money” Model

LTC insurance offers a pool of money that can last longer than people think.

You will determine the size of your benefit pool by selecting a “Benefit Amount” (daily or monthly) and a “Benefit Period.” Your LTC insurance policy pays benefits for as long as dollars remain available in your pool. You can extend the life of your policy by not using the full daily/monthly benefit, as any unused portion remains in your pool.

Keep in mind that fewer dollars are often spent when people receive care at home, unless you require 24-hour care.

Selecting a reasonable “Benefit Period” (for example 3 or 5 years vs. 7 years) may also reduce your insurance cost. Married couples should ask about a “Shared Care” option that enables couples to link their policies in order to share benefits in the event one person’s benefits are exhausted.

#### SOMETHING Is Always Better Than Nothing

Long-term care insurance may help pay a portion of care expenses. THINGS TO CONSIDER when determining how much coverage you may need:

- \$ What do you estimate your cost will be for long-term care services?
- \$ How much you can afford to contribute to the cost of your care?
- \$ How much will you need your policy to pay in benefits each month?
- \$ How long can you wait until your policy begins paying benefits?
- \$ What annual cost for insurance coverage can you afford to pay?



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for Long-Term Care Insurance

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### Who BENEFITS from LTC Insurance

You do. LTC insurance provides many valuable benefits, including helping to protect assets and reduce the burden of caregiving on family, and the ability to receive care at home.

#### LTC INSURANCE FACTS

- ✓ \$18.1 million paid daily by insurers (2012)
- ✓ 264,000 claimants received \$6.6 billion in benefits (2012)
- ✓ 51% of new claims are paid for home care
- ✓ 18.5% for assisted living
- ✓ 30.5% for nursing home care

Source: 2014 Long-Term Care Insurance Sourcebook, AALTCI, September 2013

### 4 Consider Options To Deal With Rising Costs

Today, leading insurers offer a variety of options to deal with future increases in care costs.

Your insurance professional can illustrate options and costs, including:

- **Buying a larger initial benefit up front**, which also helps to create a significant immediate pool of benefits in the event of an accident or illness today.
- **Choosing the Guaranteed Purchase Option**, which allows you to purchase additional coverage periodically without having to meet future health requirements. This option will increase your premium, and is not offered by all insurers. Provisions can vary from one insurer to another.
- **Purchasing cost-effective inflation protection options**, which can include automatic annual benefit increases based on the Consumer Price Index or those that increase benefits by three percent yearly.

### WHAT'S THE NEXT STEP?

Speak with your insurance or financial professional.

- ✓ Find out what coverage costs.
- ✓ See if you can health qualify.
- ✓ Ask what discounts you may qualify for.
- ✓ There is never a cost or obligation when you request this information.

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