

Smart Future, LLC Newsletter September 2009



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“The basic moving pieces of LTCi are deciding upon a daily benefit, a benefit period, the proper amount of inflation protection, and a reasonable elimination period”

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The Basic Moving Pieces of Long-Term Care Insurance

With the right Long-Term Care insurance (LTCi) coverage, you can ensure your future financial and emotional well-being. In this newsletter I'll highlight what I call the “moving pieces” of LTCi. These moving pieces are the variable basic elements of a long-term care plan that can be adjusted to fit your budget, your goals, and your specific family situation. If you address the need for LTC and make a plan today, you can avoid potential problems in your future.

One of the most important components of LTCi is the **Daily Benefit**. If you are considering a cash plan, this benefit will be represented monthly. Be sure you buy enough daily benefit to cover today's cost of care. The national average cost for a private room in a nursing home is \$203 per day, but I have discovered from personal experience that it is much higher. The cost of care for a decent facility in Western NY State is up to \$347 per day! I am now recommending to my clients that they purchase at least \$250 per day of benefit, or \$7,500 if it is a monthly benefit. Once you have decided upon your **Daily Benefit**, you can then multiply that dollar figure by number of years to come up with your **Benefit Period**.

The next moving piece to consider is **Inflation Protection (IP)**. There are several levels of IP to choose from. This portion adds the most to the premium because in effect, the carrier is guaranteeing your cash growth regardless of what happens within the economy. The best IP is 5% compounded with no limits. This will keep you current with inflation as well as with the growing cost of care. There are other IP choices as well. Buy the most you can afford so your “pool” of money grows efficiently for you.

Another moving piece is the **Elimination Period (EP)**. The elimination period in a LTC insurance plan serves as your deductible, or the amount of money you will be expected to pay before the insurance company will pay your benefits once the benefit triggers have been established. When dealing with LTCi, this is represented in days as opposed to a flat dollar amount. Make sure your EP is comprised of “Calendar Days”, whereby you will just “wait out” the EP. A “Days of Service” EP will force you to pay for a service every day until the deductible is met.

My family and I are living the Long-Term Care reality these days. Our beloved father is now a resident in a full-care facility. When our parents purchased their LTC plan in 1992 there were a lot less choices. They picked a plan with \$120 per day in benefits, with a 5% Simple IP and a 100-day “days of service” elimination period. We have discovered that 100 days is too long of a time period to wait for money. Their plan pays \$222 per day in today's dollars, while Dad's facility charges \$298 per day. We pay the shortfall out of our pockets.

The math looked a bit different in 1992. Nursing home costs were averaging about \$125 per day at that time. That meant that if one of my parents had gotten sick close to the time they had purchased their policy, they would have been looking at paying just a little over \$12,000 as a deductible. My parents' deductible is now at \$30,000! If you are dependent upon market-based assets to cover your deductible and daily shortfall, be careful. No one anticipated that LTC costs would skyrocket at the rate they have in the past 15 years!

And so I emphasize again to my readers: **today is the day to take action**. Having some Long-Term Care Insurance is always better than having none. Unless you have close to \$2M put away specifically for your care you need a LTC plan. Call me today and I will put together a plan that works for you!

Sincerely,
Nancy Curtin, CLTC