

Smart Future, LLC Newsletter November 2009

A Perspective on LTC Awareness Month



Nancy Curtin, CLTC

"Long-term care insurance is something every single one of you should have if you can afford it."

Source:
www.suzeorman.com

SmartFuture, LLC

331 W. 57 St.
Suite 434
New York, NY 10019

PHONE:
212-767-1500

E-MAIL:
njcurtin@gmail.com

WEB:
www.smartfuture.biz

November is Long-Term Care Awareness Month, and it's the perfect opportunity to become more aware of the emerging long-term care reality that each of us will have to face. Perhaps the two biggest misconceptions that I hear regarding LTC are 1) "I probably won't need LTC"; and 2) "I'll probably have enough money to cover what the government won't".

According to AARP, 60 percent of people over age 65 will need some form of long-term care in their lifetime. If you are under age 40, this can be hard to imagine, but there are sound financial and emotional reasons for putting a plan into place at an early age. One reason to buy early is to lock in low premiums that a carrier cannot raise except by class, and most carriers do not want to increase rates on existing policyholders. The second important reason to plan early is to lock in insurability.

Yet, so many people are still not grasping the reality of just how expensive care will be when they need it. The trade off on paying premiums for a few years cannot compare to the benefit. For example, a 40-year-old single woman in good health will pay \$1,800 per year for a cash pool of \$500,000, which will pay her \$6,000/mo in cash benefits. Add a 60-day elimination period and 3% compound inflation protection and this will give her roughly \$1.6M by age 80. The rates go down 10% if she gets married or cohabitates, and will decrease 40% if her partner buys a plan from the same carrier.

Consider that even if she pays premiums for 40 years, and needs care at age 80, she will have paid in about \$72,000 in premiums over her lifetime. For that money, she now has a pool of \$1.6 million. By that time, long-term care will cost about \$240,000 per year. And, if she has a disabling accident before old age she is covered along the way. If she waits until age 55 to buy the same policy, and if she is still insurable, her annual premium will be \$3,875. Over a 25-year period, she will have paid \$97,000. It really makes sense to buy early.

The seriousness of the long-term care crisis has finally reached Capitol Hill. As part of the approval of health-care bill H.R. 3962 this month by the House of Representatives, a voluntary federal long-term care plan is being considered. If passed in Congress, this plan would work as follows: government-determined premiums will be deducted from paychecks of those working for participating employers.

On the plan, the premiums will have to be paid for five years to obtain benefits. Benefit triggers are the same as current LTC rules: inability to perform two of the six activities of daily living (ADL's). The program would offer about \$75 per day in LTC benefits. The cost of care today for a private room in a good facility is about \$317 per day. So, even if the bill passes and you are eligible, you will still need to either self-insure for the difference or have a private LTC policy in force to make up the difference.

What I want to emphasize to all of you today is this: having a good LTC plan is a major part of smart financial planning. Without it, you may have assets saved, your mortgage paid off in retirement, and yet still lose it all to a long-term care facility or years of home-based care.

Let's have a conversation today -- it's time to put a plan in place that works for you. Whether or not H.R. 3962 passes, you will likely still need more private LTC insurance. I will help to ensure that you and your family are protected from the potentially devastating financial and emotional consequences of not planning for your long-term care.

Sincerely,
Nancy Curtin, CLTC
