

SmartFuture Long-Term Care Newsletter November 2008



Nancy Curtin, CLTC

"The cost of care, especially in nursing homes and assisted living facilities, varies from state to state. Make sure that the long-term care insurance policy you buy will cover the costs of care where you plan to use it".

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Long-Term Care Awareness Month – From Nancy Curtin, CLTC

November is Long-Term Care Awareness Month, and it's the perfect time to understand how this vital asset protection tool fits into your overall financial planning picture. As a Long-Term Care (LTC) planning specialist, and a person who is passionately committed to seeing all people covered, a big part of my job is educating people on all aspects of the LTC and Life insurance planning process. Let's get back to basics here and go over what it all means for YOU.

Think of your LTC plan as another investment in your future. Currently, the cost of care in the NY Metro area is about \$114,000 per year for a private room in a good facility. The cost in 30 years will likely be upwards of \$240,000 per year. There is a greater than 50% chance that you will need long-term care. So unless you have between \$1M and \$2.5M stashed away specifically for care, you would have to tap into retirement funds to pay for it. Will you have the means to self-insure? The high benefit-to-cost ratio of having an LTCi policy is well worth it.

What are some of the hallmarks of a good long-term care insurance policy? The plan you choose should be **comprehensive**, meaning it will pay benefits to you both at home and in a facility. It should include some type of home-helper services for things like shopping, cooking and cleaning. It should have enough daily or monthly coverage (the beginning pool) to protect you in today's dollars if you should have a catastrophic accident. 40% of LTC benefits are paid out to 18 to 64 year olds who have suffered an accident, a premature stroke, or early-onset Alzheimer's. You will receive a discount if you are married or in a domestic partnership and a further discount if your partner signs up with you.

The next piece is to choose a plan with good inflation protection (IP). This will increase the daily or monthly benefits to keep up with the rising costs of LTC. Some of the options are: 5% compound, 5% simple, 3% compound and 5% two times maximum, which will double the benefit then max it out at that doubled amount. The IP should be chosen carefully according to age and to fit your budget. Remember that care costs vary widely from locale to locale, so where you plan to retire must be considered as a part of the planning process.

Be sure to speak with your LTC planner about the Elimination Period (EP). This is the "deductible" that you choose. Make sure you know if your plan uses calendar days, where you just wait out the days before receiving benefits, or if it is days of service, where you must have a daily service to satisfy the EP. Remember that when you are sick, waiting for money can be tough, so get the lowest EP you can afford.

There are three main types of plans – **reimbursement**, **indemnity** and **cash**. If you are healthy and relatively young (under 60 for LTC), try to get a plan that pays its benefits in **cash**. There are no receipts required with **cash** plans, as there are with **reimbursement** and **indemnity** plans, and you can be paid in a monthly lump sum of your choosing. The drawback is that **cash** plans can be a bit more expensive but for many it will be well worth it to save the hassles.

Other things to look for when choosing a plan are the history of paying benefits within the company you choose, and whether that carrier has previously raised rates on issued policies. Pick an insurance planner who is appointed with many carriers so you can select from a variety of products. Be sure to ask about additional riders to your plan. You should also try to pay annually rather than monthly to reduce overall payments.

Premiums paid into your LTC plan should be considered a smart investment in your future. Having all of your other financial ducks in a row and leaving out long-term care planning is like building a beautiful boat and having a hole in the bottom. Shore yourself up today and relax about your future.