



## CONSIDERING LONG-TERM CARE INSURANCE? YOUR OPTIONS ARE NOW MORE AFFORDABLE

*As Americans age, many worry about the possibility of needing long-term care for themselves and a spouse. Uninsured long-term care expenses can quickly drain our personal and retirement savings, and the thought of burdening our families with these expenses can be distressing. Fortunately, new affordable insurance options may help allay those fears without breaking the bank.*

Good news for shoppers looking for an affordable long-term care insurance policy. Insurance companies are now offering more options for less toll on your wallet. In a recent *Kiplinger's Retirement Report* article, Kimberly Lankford explains how to save on long-term care insurance, and what to consider when finding a policy that's right for you.

### IT PAYS TO PLAN AHEAD

As you plan for and enter retirement, you may wish to consider long-term care insurance as part of your retirement planning. If it is right for you, and if you find a policy that fits, the decision to buy long-term care insurance will be comfortable, financially sound and affordable.

This type of coverage is a smart idea for people who have significant assets and income, who wish to guarantee they will receive the care they need in the setting of their choice, and who want to remain financially independent and not rely on family, charity or the government for that care.

With so many possibilities, it's easy to feel overwhelmed. Involving your financial planner, lawyer or accountant will help you digest the information. Take your time to study all the many options. Your decision should come as the result of careful thought and research, not fear or urgency.

The cost of your long-term care insurance policy is calculated on a number of variables—the type and amount of services you want covered, your age when you buy the policy, and any optional benefits you choose, such as

### → A QUICK LOOK

Long-term care adds up fast and most expenses are not covered by Medicare or traditional health insurance. In 2009, the average costs in the U.S. were:

- \$198/day for a semi-private room in a nursing home; \$219/day for a private
- \$3,131/month for care in an Assisted Living Facility (for a one-bedroom unit)
- \$21/hour for a Home Health Aide
- \$67/day for care in an Adult Day Health Care Center

Choosing the right long-term care insurance now can help relieve sticker-shock on possible future expenses.

Inflation Protection. Premiums generally remain the same each year (unless they are increased for an entire class of policyholders at once). That means that the younger you are when you first buy a policy, the lower your annual premium will be. A policy with all the bells and whistles might be \$1,100 per year for a healthy 50-year old, \$2,500 per year starting at age 65, and \$7,500 per year starting at age 79.

Insurers can now shave off some of that cost by offering cheaper forms of inflation protection, allowing couples to share their benefit periods and having the policyholder assume more of the future care expenses

### HELP IN FINDING THE RIGHT POLICY

A broker who specializes in long-term care insurance will work with you to find the best and most affordable policies to suit your needs. For individuals in poor health or already receiving long-term care services, a broker can contact underwriters at several companies to see where the applicant might qualify.

## JUST THE FACTS

While there is no “one-size-fits-all” policy, certainly looking at the statistics can help you make your decision. At least 70% of people over age 65 will need some type of long-term care services in the future. However, most will not need them beyond five or even three years. Over 44% of individuals who enter nursing homes stay there for 12 months or less. About 30% stay one to three years. Only about 12% need those services five years or more.

Find out the average long-term care costs in your area using the website of the National Clearinghouse for Long-Term Care Information, [www.longtermcare.gov](http://www.longtermcare.gov).

## HOW MUCH COVERAGE WILL I NEED?

One strategy is to go with the average cost of nursing-home service. This may be more coverage than you will need at first, but long-term care typically comes in phases. In the beginning, most people will stay at home and take visits from an aide. These services run on average \$21 per hour, so about \$18,000 a year if the visits are three per week. Next, they may require more frequent visits from the aide, or nursing home care—which averages \$68,000 for a semi-private room.

Most policies will save the unused benefit for the time period it was not used up and apply it to your future coverage.

Some policies do not calculate the coverage in terms of daily benefit, but as one big pool of money, it could be \$100,000 to \$1 million. Here you would share a percentage of the long-term care costs, and the pool covers the rest. This cost-sharing later means much lower premiums now.

## INFLATION PROTECTION

Unless you are buying the policy in your 70's, adding inflation protection cranks up the price of premiums to about double what they would be without it. This protection is absolutely necessary though, since the costs of care will rise with, or even ahead of, inflation.

Fortunately, insurers now are offering new policies that combat inflation in other ways, while keeping the costs of your premiums low. A “tiered solution” policy through MetLife would automatically raise the monthly benefit by 5% a year through age 60 and by 3% a year from ages 61 through 75 (adjustments for inflation stop at age 76). This equals huge savings in premiums when compared with policies that have a basic 5% inflation protection compounded each year.

Another way to cut costs and still defend against inflation is through a “guaranteed purchase option.” Here there are no automatic inflation adjustments, but you will always have the option to increase your coverage down the road, regardless of any changes to your health. Your premiums will also be increased, and your new premium will be based on your age at the time you make the change. This option is cheaper than inflation protection in the beginning, but if you bump up too many times it will end up costing more.

## ADDITIONAL CONSIDERATIONS

If your employer offers a long-term care policy, take the time to investigate that as well. You might have to pay the premiums yourself, but often at a discounted group rate. Plus, the underwriting may be simpler through your employer.

Check out the American Association for Long-Term Care Insurance to learn more. [www.aaltci.org](http://www.aaltci.org)

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*Kimberly Lankford's “New Insurance Plans for the Long Term” was published in the March 2010 edition of Kiplinger's Retirement Report.*