

# Guide to Long-Term Care Insurance



Long-term care insurance can be confusing, no matter who you are, especially if you don't know who to turn to for expert advice. The decision to purchase long-term care insurance is very important and one you shouldn't rush into without proper research. Because you cannot purchase long-term care insurance when you need to use it, you must make the decision about obtaining it ahead of time.

You work hard and save money your entire life to ensure you have enough funds to secure your retirement, as well as pass on assets to your heirs. If you were to have a long-term care need, your savings could be depleted very quickly without a proper long-term care policy in place. Most people will need assistance with activities of daily living at some point in their lives, whether due to aging, injury, illness or disability. Regardless of the type of care or the setting, care can be very expensive and can quickly drain your life savings. Whether you need help now or are exploring future options for yourself or a loved one, this brochure can assist you.

### What is long-term care?

Long-term care is a variety of services and support to meet health or personal care needs over an extended period of time. Most long-term care is non-skilled personal care assistance helping perform everyday activities of daily living, such as bathing and dressing.

Long-term care can be:

- Skilled nursing care
- Custodial care to help with the activities of daily living
- Respite services: for caregivers who need a break from daily responsibilities

Long-term care includes medical and non-medical services to people who have a chronic illness, disability or a cognitive impairment, such as Alzheimer's disease, or simply as part of the normal aging process. Though older people use the most long-term care services, a young or middle-aged person who has been in an accident or suffered a debilitating illness might also need long-term care. It is important to remember that you may need long-term care at any age. 40% of people currently receiving long-term care are adults 18 to 64 years old. Long-term care insurance can help protect your assets, help maintain your financial freedom and give you the options necessary to receive quality long-term care and services.

Neither Medicare, nor Medicare supplemental coverage, also known as Medigap insurance, nor standard health insurance policies cover long-term care. You have limited choices to pay for long-term care:

- Pay out of pocket
- Medicaid (welfare): Must have little or no assets to qualify and only covers Nursing Home Care
- Medicare: Only covers a portion of the first 100 days for skilled care; most care needed is non-skilled
- Long-term care insurance

The cost of long-term care insurance varies widely, depending on the level of services you need and the length of time you need care. But no matter what your need may be, whether it is a nursing home, an assisted living facility or home care, all could potentially exhaust your savings account. On average, one year in a nursing home or 24-hour home care can cost more than \$66,000 today. In such states as New York, the costs can run as high as \$115,340. With costs increasing at about 4% per year, this care could cost \$150,000 to \$250,000 per year in 20 or 30 years.

Work, distance and other responsibilities may make it difficult for family and friends to do as much as they'd like. By covering personal care assistance from licensed health care and home care professionals, long-term care insurance relieves you of being dependent on others or be a burden to your children. So, the time you spend together can be more rewarding and enjoyable.

## Types of long-term care:

**Nursing homes** offer care to people who cannot be cared for at home or in the community. They provide skilled nursing care, rehabilitation services, meals, activities, help with daily living and supervision. Many nursing homes also offer temporary or periodic care to give a family member or friend who is a caregiver some time off (respite care).

**An assisted living facility** provides 24-hour supervision, assistance, meals, and health care services in a home-like setting. Services include help with eating, bathing, dressing, toileting, taking medicine, transportation, laundry and housekeeping. Social and recreational activities also are provided.

**Home care** can be given in your own home by family members, friends, volunteers, and/or paid professionals. This type of care can range from help with shopping to nursing care. Another type of care that can be given at home is hospice care for terminally ill people.

**Community services** are support services that can include adult day care, meal programs, senior centers, transportation, and other services. These are helpful to people who are cared for at home. For example, adult day care services provide a variety of health, social and related support services in a protective setting during the day. This can help adults with impairments, such as Alzheimer's disease continue to live in the community, as well as give family or friend caregivers a needed "break."

## Who should consider long-term care insurance?

If you can afford to pay for care long-term care without significantly impacting your assets, you may not need to purchase a long-term care policy. If your only source of income is Social Security income, you probably shouldn't purchase long-term care insurance, as you may not be able to afford the premium.

If you have assets to protect, but are not wealthy enough to comfortably pay for long-term care out of your savings, you should consider long-term care insurance. It is especially important if there is a history of serious illness in your family or if you have a chronic disease. The cost of long-term care, should you need it, can quickly deplete your life's savings. About 70 percent of individuals over age 65 will require at least some type of long-term care service during their lifetime. Over 40 percent of these will need care in a nursing home for some period of time.

Keep in mind that the annual premiums for long-term care coverage are much higher if you wait until your 60s or later to take out a policy. The cost of long-term care insurance typically is based on the size of your policy, your age and your health at the time you apply. As a result, the annual premium you pay when you purchase a policy when you are younger will be significantly lower than if purchased in later years. As you get older, you may also develop a condition that could disqualify you from receiving coverage or require you to pay a high premium.

## Types of long-term care policies

**Individual (Stand-Alone) Policy** Many long term care policies are purchased as an individual policy. This type of policy is designed solely and specifically to provide comprehensive coverage for costs associated with long term care, and provides a pre-determined benefit amount for a pre-determined period of time, as chosen by the individual. Coverage is generally triggered when the insured can no longer perform a given number of activities of daily living unassisted, are diagnosed with a cognitive impairment, such as Alzheimer's, or if they are suddenly forced into a nursing home or assisted care situation by illness or accident. Most stand-alone long term care policies offer inflation protection so that 20 years down the road, the policy will still adequately cover the rising costs of long-term care. The policy premiums may also be partially tax deductible.

**Policy Rider (Hybrid)** Another option for long term care insurance is to have a rider attached to a life insurance policy that builds a cash value. This type of policy provides for two coverages that a single premium payment is split between. The premium payment pays for the coverage for life insurance and the premium for long term care coverage. If you need long-term care, a portion of the policy's death benefit is paid out to cover expenses, and the death benefit is reduced by the same amount. If you end up never needing long-term care, the life insurance remains in effect for eventual use by you or your beneficiaries. A Shared Benefits Rider enables a spouse to tap into the other's pool of benefits. As a result, each individual could purchase, say, a three-year plan of protection, which would be significantly less expensive than a five-year benefit for each spouse. Some carriers offer this as a stand alone policy, as well as a rider.

**Deferred Annuity** This is a type of annuity where part of the earnings are used to pay for long-term care premiums without paying a surrender charge that's typically imposed on accelerated withdrawals. A minimum

of \$50,000 or more is usually required for this type of annuity and earnings that pay long-term care premiums can be tax free. However, the earning potential of the annuity is decreased because of the inclusion of the long-term care insurance payments. If no care is needed, the annuity gains interest functioning like any other fixed annuity.

**Partnership Policy** Your state may offer this type of policy in conjunction with a carrier to protect your assets should you need care. This type of policy provides the same benefits as an individual stand-alone policy, but has a unique asset protection feature, where it allows you to keep your assets dollar-for-dollar, in case you exhaust all of your insurance benefits and have to turn to Medical Assistance. Protected assets are not considered in determining eligibility for Medical Assistance or estate recovery.

What if you are not protected with long-term care insurance and you are in a serious accident or are diagnosed with a debilitating illness? Who would take care of you? What assets would you need to liquidate to pay for the care you need—your car, your home, your retirement fund? Will trying to decide how to pay for your care or who is going to take care of you tear apart your children? These are real issues that you may be faced with. Perhaps the only thing scarier than the possibility of needing long-term care is the prospect of not being able to pay for it.

Choosing a long-term care policy is an important decision, and planning for long-term care requires you to think about possible future health care needs. It is important to think about long-term care before you may need care or before a crisis occurs. It helps you maintain your dignity and financial freedom and gives you the flexibility to participate in making choices that impact your care—about the services you receive, where you receive them and who provides the care you need. Talk to your financial advisor about the advantages of long-term care insurance, as well as the best options for your particular situation. If you decide long-term care insurance is for you, be sure you fully understand all the features and limitations of the policy you purchase.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

The LPL Financial family of affiliated companies includes LPL Financial and UVEST Financial Services Group, Inc., each of which is a member of FINRA/SIPC.

Not FDIC/NCUA Insured	Not Bank/Credit Union Guaranteed	May Lose Value
Not Insured by any Federal Government Agency		Not a Bank Deposit



A Registered Investment Advisor  
Member FINRA/SIPC  
IA-06680-1010  
Tracking# 680656 (exp. 11/12)