



BOB CARLSON'S

Retirement Watch

SPOTLIGHT SERIES

Who Will Change My Light Bulbs?

New Ways to Plan for Long-Term Care

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The Issue We Don't Talk About...

- **Major worry of most Americans, but...**
- **Don't talk about it. Denial.**
- **Misunderstandings and mistakes**
- **Insurance in upheaval**



Why to Plan...

- **Can't depend on others**
- **Burden on family, honor children**
- **Protect assets: Yours and family's**
- **Avoid dependence**

Should be part of every retirement plan



Will You Need LTC?

Battle of Statistics:

- **70% of those 65 and over will need some kind of LTC**
- **Only 19% of men and 31% of women should buy LTCI**

Which should you believe?



Know the ADLs

At least two of six activities of Daily Living:

- **Bathing, dressing, personal hygiene and grooming, eating, toileting, transferring/mobility.**

OR

- **Cognitive impairment**



Long-Term Care ≠ Nursing Home

Types of long-term care:

- Home care: personal and medical
- Adult day care
- Assisted living
- Memory care
- Nursing home care (SNF)



Where LTC is Received

Types of new LTC Claims:

- Home Care 51%
- Assisted Living 18.5%
- Nursing Home 30.5%

Source: AALTCI



Estimated Costs of LTC

Homemaker Services	\$4,481
Home Health Aide	\$4,576
Adult Day Health Care	\$1,603
Assisted Living Facility	\$4,300
Nursing Home Care (SNF)	\$7,756

**Monthly national median costs from
Genworth 2020 Cost of Care Survey**



Low Probability, High Cost

Costs \$50,000+ annually

- **Increases faster than CPI**
- **Even home care is expensive**
- **Varies by location, type of care**



What Medicare Pays For

- **100 days or less following hospital stay of more than three consecutive days**
- **Nursing home stays of 50% of men and 40% of women qualify**



What Medicaid Pays For

Pays most costs if you qualify, but...

- **Must be “impoverished”**
- **Rules tightened regularly**
- **Must give away money five years before**
- **State still might pursue your estate, family**
- **Lower quality of care, choices**



Medicaid Asset Protection Trust

- **Must give up control. Can't be trustee.**
- **Look-back period of 3-5 years**
- **You receive only income, no principal**
- **Need experienced attorney**

Best combined with LTCL.

Works best when main assets are real estate, investments



Why Are LTCI Sales Falling?

- **Only 49,000 sales in 2020; 700,000 in 2000**
- **Premium increases**
- **Fewer insurers**
- **Reduced coverage**
- **Use it or lose it**
- **Rumors of claims denials**



Do LTCI Policies Pay?

- **50% of age 65 purchasers will receive policy benefits says AALTCI**
- **About 14 years between purchase and claim**
- **Mean claim is \$137,421.**
- **Even more likely after one spouse needs LTC or passes away**



Will Your Claim be Paid?

- **Older policies are major problem**
- **Troubled insurers focus of problems**
- **Understand policy terms and limits**
- **Check with insurer before incurring costs**
- **Check claims history**



The Revolution: Hybrid/Linked/Asset- Based/Combination Policies

- Sales increased from ~300,000 in 2015 to >600,000 in 2019
- No use-it-or-lose-it
- Flexible use of funds for self or heirs
- Cost of LTCL is fixed as are benefits



Life Insurance/LTC Example

- **60-year-old male deposits \$114,390**
- **Universal life policy with LTC benefits**
- **5% annual compound inflation benefit**
- **Can get full return after >5 years**
- **Beneficiary receives full return if dies after >5 years**
- **90-day waiting period for LTC benefits**



Life Insurance/LTC Example

- **Up to 72 months of LTC benefits**
- **First five years: \$4,500 monthly benefit/
\$367,303 total benefit**
- **Year 10: \$6,981 monthly/\$569,808 total**
- **Year 20: \$11,371 monthly/\$928,157 total**
- **LTCI cost guaranteed never to increase**



Comparing Insurance Choices

- **Traditional LTCI likely highest maximum lifetime benefit for the dollar**
- **Traditional LTCI has potential premium increases**
- **More flexibility with annuities/life insurance**
- **Benefits are guaranteed and can increase with annuities, life insurance combos**



Comparing Insurance Choices

- **Life with LTC rider is primarily life insurance**
- **Combo life is LTC coverage with modest life insurance**
- **Annuities/life combo typically have inflation protection; life with LTC riders often don't**
- **Annuities give less LTC benefit than life ins.**



Tips for Hybrid Policies

- **Consider same details as for LTCI**
- **Usually spending own money first**
- **Maximum monthly benefit**
- **Indemnity vs. reimbursement**
- **Maximum benefit probably lower**
- **Check early surrender penalties**
- **Details vary on similar policy types**



Comparing Insurance Choices

Leveraged Care Solutions Summary for ROSIE PROFITS

Assumptions: 65 Female in Good Health

	Asset Based Care Type	Premium Deposit	Year	Legacy/ Beneficiary Value	Cash Liquidity Value	Coverage Duration	Monthly Care Benefit	Maximum Potential Benefit	Benefits Elimination Period	Type of Payout
1	LTC/Annuity	\$100,000	1	\$100,727	\$92,669	72 Months	\$4,197	\$302,180	0 Calendar Days In Home; 90 Calendar Days Other	Reimbursement (Formal)
			10	\$108,291	\$108,291		\$4,480	\$322,530		
			20	\$115,584	\$115,584		\$4,816	\$346,751		
			30	\$124,264	\$124,264		\$5,178	\$372,791		
2	Legacy/LTC	\$100,000	1	\$321,695	\$71,761	72 Months	\$6,434	\$321,695	90 Calendar Days	Indemnity (Informal)
			10	\$321,695	\$115,539		\$6,434	\$321,695		
			20	\$321,695	\$175,739		\$6,434	\$321,695		
			30	\$321,695	\$209,897		\$6,434	\$321,695		
3	LTC/Life with 5% Simple Increasing LTC	\$100,000	1	\$165,096	\$82,179	72 Months	\$3,958	\$320,623	90 Calendar Days	Indemnity (Informal)
			10	\$159,110	\$100,000		\$5,740	\$448,872		
			20	\$129,683	\$100,000		\$7,719	\$591,371		
			30	\$111,715	\$100,000		\$9,698	\$733,870		

Source: Retirement Watch July 2017

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Customizing LTCI

- **Daily benefit – don't forget extras**
- **Inflation protection**
- **Elimination period/deductible**
- **Maximum length of coverage**
- **Coverage eligibility and scope**
- **No hospital stay required**



Enhancing LTCI

- **Indemnity or reimbursement?**
- **Purchase joint policy**
- **Shop around**
- **Don't jump at lowest premium**
- **Check claims history**
- **Long-term care partnership**



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Comparing Insurance Choices

Use an insurance broker that deals with many insurers.

David Phillips

Todd Phillips

Phillips Financial Services

888-892-1102

www.ropltc.com

800-552-1152

www.RetirementWatch.com



The CCRC Living Option

- Offers all four levels of care
- IL, AL, memory care, skilled nursing
- Move within CCRC as needs change
- Spouses remain nearby when needs differ
- Guaranteed admission
- Might not need LTCI



CCRC Factors

- **Expensive: Only about 30% can afford**
- **Pass health screening**
- **Reputation, health-care rankings**
- **Amenities**
- **Dining facilities, options**
- **Transportation, pet policy, visitors**
- **Demographics, affiliations**



Contract Choices

- **Life care:**
 - **High entrance fee**
 - **Fixed monthly regardless of services**
- **Modified fee for service**
 - **Lower entrance fee**
 - **Monthly fee based on services**
 - **Perhaps below-market rates**



Contract Choices

- **Fee for service:**
 - **Even lower entrance fee**
 - **Monthly fee based on services**
- **Rental:**
 - **Low or no entrance fee**
 - **Perhaps fewer amenities**
 - **Fees based on services, market rates**



Contract Choices

- **Is part of fee refundable, payable to heirs?**
- **Details of included services, extras**
- **Compare to ownership costs**
- **Do you need other insurance?**
- **Check fee increase history**
- **Check financial status of CCRC and any parent company**