

Long Term Care

Retirement at 65, sell rental properties at 75

Long Term Care Defined

Long term care is sustained medical or custodial care in a hospital, nursing facility, or equivalent care at home. This care meets the needs of people when, for some reason, they cannot care for themselves. Long term care insurance provides coverage for costs when the need for care extends beyond a pre-determined period. Benefits start when certain conditions and time frames specified by a long term care insurance policy are met.

Generally the needs requirements to obtain insurance benefits fall into two categories:

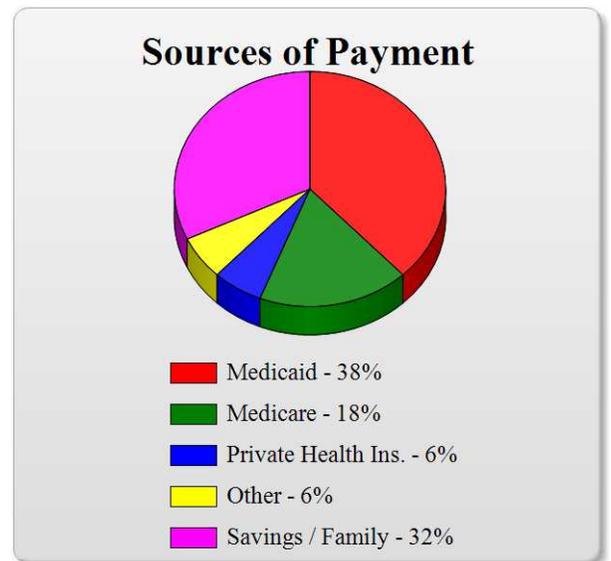
<p>An inability to perform two or more Activities of Daily Living (ADLs)</p>	<p>Activities of Daily Living (ADLs) are basic functions of daily independent living and include:</p> <p>Dressing Toileting Bathing Transferring Eating Contenance</p>
<p>Impaired Cognitive Ability</p>	<p>Loss of mental function can result from stroke, dementia or Alzheimer's Disease. Alzheimer's Disease is a disorder that progressively affects one's ability to carry out daily activities.</p>

The Cost of Waiting to Plan

- 40% of all long term care recipients are under the age of 65.
- Over 45% of seniors who reach age 65 will spend some time in a nursing home.
- Over 70% of seniors who reach age 65 will need some form of home health care in their future.
- One out of every four families provides care to an elderly relative or loved one.
- 25% will stay in a Nursing Facility for more than one full year.
- The average nursing home stay is 2.5 years.
- The average Alzheimer's stay is 7 years.

Without benefits from long term care insurance or a comparable plan, the cost of providing these services could devastate your lifetime savings, or a relative's life savings. On average, one year in a nursing home costs in the area of \$57,000 and can easily exceed \$100,000.

Depending on the care required, most of these expenses are paid for by the patient or their family. Medicare may contribute toward the first 100 days expenses in a skilled care facility. There are no Medicaid benefits available for intermediate term or custodial care, unless the state finds the patient to be impoverished under local guidelines. Even then, care options would be restricted to care facilities offered by the very limited benefit payments available from Medicaid.



Medicaid and Medicare Facts

- Medicaid is a welfare program designed as an emergency safety net to pay health care costs for the poor.
- Medicare is a part of Social Security, and helps pay for the general health care needs of retired persons.
- Medicare typically only pays for doctors, hospitals, and short recuperative stays in nursing facilities.
- Private health insurance is designed for medical (doctors, hospitals, etc.) not long term care expenses.
- Many people end up relying on their own or relative's resources to pay for long-term care expenses.

Long Term Care Need Analysis

Retirement at 65, sell rental properties at 75

Long-term care (LTC) requires long term planning. LTC insurance is available to cover these expenses, protect your assets, your independence and control the quality of the care you receive. You are able to choose the specified daily benefit level, as well as the types of medical and care services covered.

When is the best time to purchase LTC insurance? Generally, the premiums stay level once the policy is purchased, much like level term insurance. In practice, the earlier you buy a policy, the lower the premium. Since the odds of needing long term care increase with age, purchasing coverage at a reasonably early age is good planning.

Needs Estimate

The estimated long term care cost examples are based on your financial information. Consider the concepts illustrated here to be simply a starting point for analysis and a future in-depth discussion of your long-term care insurance needs.

	<u>Allen</u>	<u>Betty</u>
Estimated monthly care costs (today's \$)	\$6,000	\$6,000
Estimated daily care cost	\$197	\$197
Age when long term care starts	79	81
Years until long term care starts*	19	25
Assumed inflation rate	4.50%	4.50%
Inflated monthly cost*	\$13,847	\$18,033
Estimated number months of care	40	40
Total inflated cost	\$553,886	\$721,304
Total potential long-term care costs	\$1,275,191	
<i>*Beginning 40 months prior to life expectancy</i>		
In today's dollars, these future costs would equate to	\$421,467	
<i>**Using a 6.00% discount rate</i>		

There is a significant potential for the cost of long term care to seriously deplete your financial assets in the long term. A prudent approach is to explore the various options available to you now to purchase protection for your future needs.

Points to consider when evaluating a LTC policy might include:

- Amount of daily benefit desired.
- Benefit and cost of an inflation adjustment rider.
- Financial strength and experience of the insurance company.
- What is or is not covered by the policy.
- Elimination and benefit periods.
- How pre-existing conditions will be handled.
- Tax effect on premiums and benefits.
- The policy renewability guarantee.