

How Can LTC Insurance Help You Protect Your Assets?

Plan to create a pool of healthcare dollars that you can use when the time comes.

Provided by Shawn Behrendsen

How will you pay for long-term care? At the moment, you may not be able to answer that question – but long-term care insurance can provide an answer for you.

Why are baby boomers opting to make long-term care coverage an important part of their retirement strategies? The reasons to get an LTC policy at or after age 50 are very compelling.

Your premium payments buy you access to a large pool of money which can be used to pay for long-term care costs. By paying for LTC out of that pool of money, you can help to preserve your retirement savings and income.

The cost of assisted living or nursing home care alone could motivate you to pay for an LTC policy. Genworth Financial conducts a respected annual Cost of Care Survey to gauge the price of long-term care in the U.S. Here is some data from the latest edition:

*In 2016, the median monthly cost of a private room in a nursing home is \$7,698. The median monthly cost of a semi-private room is \$6,844, 2.27% greater than Genworth's 2015 estimate.

*How about the median monthly cost of an assisted living facility? That currently comes to \$3,628. Thankfully, that has increased only 0.8% from last year.

*The median monthly cost of an in-home health aide (44 hours per week) is \$3,861. Across the past five years, that median cost has risen 6.6%.¹

When you multiply these monthly cost estimates, the math gets downright scary. Can you imagine taking \$45-90K out of your retirement savings to pay for a year of these expenses? What if you have to do it for more than one year?

The Department of Health & Human Services estimates that if you are 65 today, you have about a 70% chance of needing some form of LTC during the balance of your life. About 20% of those who will require it will need LTC for at least five years. Today, the average woman in need of LTC needs it for 3.7 years, while the average man needs it for 2.2 years.²

Why procrastinate? The earlier you opt for LTC coverage, the cheaper the premiums. This is why many people purchase it before they retire.

What it pays for. Some people think LTC coverage only pays for nursing home care. It can actually pay for a variety of nursing, social, and rehabilitative services at home and away from home, for people with a chronic illness or disability. For example, it can fund home health care, care in a group living facility, and adult daycare.³

Choosing a DBA. That stands for Daily Benefit Amount - the maximum amount that your LTC plan will pay per day for care in a nursing home facility. You can choose a Daily Benefit Amount when you pay for your LTC coverage, and you can also choose the length of time that you may receive the full DBA on a daily basis. The DBA typically ranges from a few dozen dollars to hundreds of dollars. Some LTC plans offer you “inflation protection” at enrollment. That means that every few years, you will have the chance to buy additional coverage and get compounding – so your pool of money can grow.

The Medicare misconception. Medicare is not long-term care insurance. At most, it will pay for 100 days of nursing home care, and only if 1) you are getting skilled care, and 2) you go into the nursing home right after a hospital stay of at least 3 days. Medicare also covers limited home visits for skilled care, and some hospice services for the terminally ill. That’s all.⁴

In some cases, Medicaid might help you pay for nursing home and assisted living care, but it is basically aid for those in dire financial need. Some nursing homes and assisted living facilities don’t accept it, and, for Medicaid to pay for LTC in the first place, the care has to be proven to be “medically necessary” for the patient. Do you really want to wait until you are nearly broke to try and find a way to fund long-term care? Of course not. LTC insurance provides a way to do it.⁵

Why not look into this? You may have heard that yearly premiums on LTC policies have increased recently. They have – as MarketWatch recently noted, annual premiums for a typical policy covering a 55-year-old couple can exceed \$5,000. Those premiums are cheap, however, relative to the financial burden those without LTC policies may face in the future.⁶

Ask your insurance advisor or financial advisor about some of the LTC choices you can explore – while many Americans have life, health, and disability insurance, that is not the same thing as long-term care coverage.

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Citations.

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3 - doi.nv.gov/Consumers/Long-Term-Care-Insurance/ [7 /6/16]

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