

WHAT YOU NEED TO KNOW ABOUT LONG-TERM CARE INSURANCE

As you grow older, you think about the future and hope that your good health stays with you. Still, you can't help but wonder what the future might bring. Will you need long-term care in the future?

Should you consider long-term care insurance while your health is still good?

The costs of long-term care—whether in the home, in an assisted living facility or in a nursing home—are skyrocketing. They will continue to climb in the coming years. Unfortunately, Medicare covers a mere 2 percent of nursing home costs. It's no wonder that many people are considering long-term care insurance to help defray the costs.

What is long-term care insurance?

Long-term care insurance is coverage that provides medical and other services to patients who need constant care in their own home or in an assisted living facility or nursing home. This insurance must be purchased prior to needing long-term care, and eligibility is based on your current health. If you are already ill, you may not be insurable.

Do I really need it?

Nearly half of all Americans will require long-term care at some time in their lives. While the majority of people who will need

long-term care are 65 or older, people of any age can develop serious conditions that require assistance with routine daily activities for an extended period of time.

Even with these odds, long-term care insurance isn't right for everyone. For example, if the cost of the insurance premium would make life difficult for you now and in the future, long-term care insurance is probably not an option. Also, if you have very limited assets and income, Medicaid may cover your long-term care as long as you meet your state's poverty criteria.

On the other hand, if you have at least \$1.5 million in liquid assets, you may have the ability to pay for your long-term care, so insurance isn't necessary. However, if you have children or others you want to provide for after your death, long-term care insurance may be a good way to protect your estate.

Those in the middle will benefit most from long-term care insurance. Long-term care insurance can

help protect your assets from the rising cost of care and can help secure not only your financial future, but also that of your family.

When is the right time to buy long-term care insurance?

The best time to purchase a plan is in your late 50s or early 60s. The cost is affordable in this age range and you're probably still in good health.

How much will it cost?

The cost of long-term care insurance policies vary depending on the benefits they offer, so it's a good idea to compare policies from several companies. But first, figure out how much coverage you'll need. Nursing homes in Oklahoma City cost much less than those in New York City. The average cost of a year in a nursing home is \$60,000 to \$70,000 with many costing more than \$100,000. Find out how much your local nursing homes charge and also look into the cost of in-home care.

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What should I look for in a long-term care policy?

- **Look for financially strong companies.** Choose companies that have excellent track records in providing long-term care insurance.

Several independent groups such as Fitch, Moody's, Standard & Poor's, A.M. Best and Weiss publish the financial ratings of insurance companies. Check your local library or bookseller for these listings.

- **Purchase a policy that has inflation protection.** Inflation protection will increase the daily benefits payable from your policy typically by 5 percent once every two to three years. Especially if you're buying the policy in your 50s or 60s, this helps ensure that your coverage will keep pace with rising nursing home costs.
- **Minimize the waiting or "elimination" period.** This is

the time period during your stay in the nursing home when you will not receive benefits. Think of the waiting period as your deductible.

For example, currently the average cost of a day in a nursing home is about \$200. If you have a 90-day waiting period, you'll pay \$18,000 out of pocket before your coverage kicks in. Imagine what this daily rate might be if nursing home costs increase 5 percent a year!

Consider buying the shortest waiting period you can afford in order to protect your assets and estate.

- **Select comprehensive coverage.** Long-term care can be provided in a nursing home, your own home or an adult day care center. Not all policies will cover care in all settings. Since most people want to stay in their own homes as long as possible, be sure to choose a policy that covers care provided in all settings, especially your home.

- **Choose the best benefit period.** A benefit period, which is the length of time the policy pays benefits, can range from two years to a lifetime. Keep in mind that approximately one-half of all those in a nursing home will stay an average of two to three years. A smaller percentage will stay for more than five years.

A three-year plan will be less expensive than a lifetime plan. You may want to choose the longest benefit period if you have a family history of Alzheimer's or some other chronic disease.

As you can see, the adage "One size fits all" does not apply to long-term care insurance policies. However, if you educate yourself and work with a professional who is knowledgeable about long-term care insurance, you will be well prepared to find the coverage that best suits your needs.