

# Dignity For Life

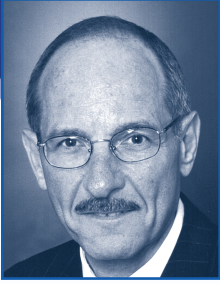
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Five Things You Should Know  
Before Considering  
Long Term Care Insurance

***Facts That Can Protect  
Your Assets  
& Quality of Life***

Co-Authored By Gary Melnikoff & LTC Financial Partners LLC

# Gary Melnikoff



Gary entered the long-term care insurance industry in 1993 after spending most of his career in marketing and sales management. In addition to earning "Rookie of the Year" honors with GE Capital Assurance within his first year, he went on to become a member of their President's Club for the next 9 consecutive years.

As a Partner with Long Term Care Financial Partners Gary continues to work with couples, individuals, and business owners interested in learning more about long-term care insurance.

"I have always believed that the most valuable information I could bring to a discussion about long-term care insurance was not only an explanation regarding the differences in premiums and benefits from one company to another," Gary recently stated, "but the mechanics of designing a realistic level of coverage without over spending."

In addition to becoming a member of "The Million Dollar Round Table" in 2003, Gary has been a repeat recipient of the National Sales Achievement Award, presented to him by The American Association for Long Term Care Insurance.

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Long Term Care Insurance Specialists

**About LTC Financial Partners**

Long term care is a very complex issue. Fortunately, each LTC Financial Partner is a neighbor, a member of your local community and a specialist who has developed scores of successful and productive plans for people who want to protect their assets and still be assured of receiving quality care.

Of the top 100 licensed LTC specialists across the United States, more than half are partners at LTC Financial Partners.

Only select licensed specialists are invited to become partners in LTC Financial Partners. Each is an owner who is committed to understanding an individual's needs and goals and will work to save them time and money and protect the assets that the client has worked so hard to attain.

**Our Resources**

We work with a wide range of the best insurance carriers in the business. Each Partner earns the same commission no matter which insurance company is chosen and that allows us to objectively select the company that meets each client's special needs.

We will use our skills and resources to deliver the highest quality services.

All information contained in this book is offered for informational purposes only.

This is not an offer to sell long term care insurance. The information should not be construed as pertinent to your situation or as tax advice. You are encouraged to speak with a long term care expert for advice and consult your own tax advisor regarding your own particular circumstances.

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*“There are four kinds of people in the world:  
Those who have been caregivers  
Those who currently are caregivers  
Those who will be caregivers  
And those who will need caregivers.”*

*Former First Lady Rosalynn Carter*

*Published by LTC Financial Partners, Kirkland Washington*

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## Section I

Before you read “Insider Tips” it may be helpful for you to learn more about long term care and the need for long term care insurance below.

However, if you would like to go directly to “Insider Tips” please turn to page 6.

### What is long term care?

Long term care is the medical and/or social services term for helping people who develop disabilities or chronic care needs. For example, there may come a time when you or a loved one need help walking, getting dressed, eating or bathing. It also includes the kind of care you would need if you had a severe cognitive impairment such as Alzheimer's disease.

Long term care services may be brief with full recovery, or they can continue for years. They may be provided in a person's home, in the community, or in a residential facility (e.g., nursing home or assisted living facility).

### Will Medicare pay for long term care?

Medicare, a national health insurance program for people 65 and older, is not intended to provide long term custodial care.

The following criteria must be met in order to qualify for Medicare to pay for any of your long term care bills:

- Must have a hospital stay of three consecutive days (not counting the day of discharge)
- Must be admitted to a nursing facility for the same illness you were hospitalized for within 30 days of discharge
- Must be receiving skilled care only
- Must be certified by a medical professional that you need skilled nursing or rehabilitative services daily

For nursing home care, Medicare will pay 100% of the first 20 days (providing you are receiving daily skilled care). From days 21-100, you pay the first \$114.00 per day (2005) and Medicare will pay the balance. After day 100, Medicare pays nothing and you are solely responsible for all costs.

### What is long term care insurance?

Long term care insurance pays for long term care services so you don't have to. Policies vary in terms of what they will cover and insurance companies do require that applicants qualify for the coverage.

### What benefits do you get from long term care coverage? Why do people buy it?

As you would expect, a good long term care insurance policy delivers broad and flexible benefits to help provide and pay for the long term care services you need when help is required.

In my experience, there are six major reasons for people to buy this insurance coverage:

- Relieve the burden on their loved ones
- Make certain they have a choice of care and receive quality care
- Make certain they maintain their independence
- Avoid the indignities of Medicaid
- Protect the assets they've worked to earn (either for the spouse or to pass on in an inheritance)
- Proactively make decisions that protect their family and themselves

**Having long term care coverage could save you hundreds of thousands of dollars.**

### Do you need long term care insurance protection?

Maybe you do or maybe you don't – this is, of course, a personal decision. From my experience, the best way to make an intelligent decision is to look at the facts.

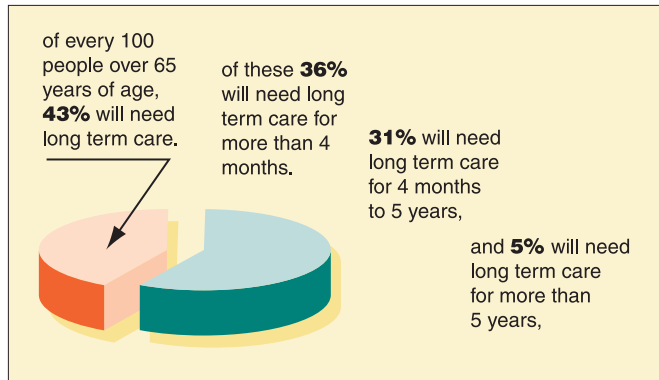
***How likely are you to need long term care?***

***What would you be placing at risk if you did need long term care?***

***Can you afford the insurance?***



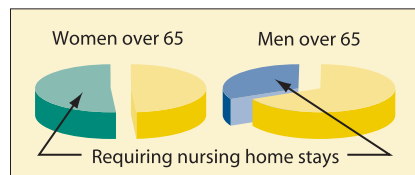
## What's the likelihood you will need long term care?



Technical Report 1-01, Scripps Gerontology Center, February 2001

Don't think that long term care is just for elderly people. Young men and women also need long term care for a variety of reasons including accidents, multiple sclerosis, strokes or other debilitating conditions. **40% of the people receiving long term care are working adults between the ages of 18 and 64** (GAO/HEHS-95-109 long term Care Issues, p. 7).

## What's the likelihood that you'll spend time in a nursing home?

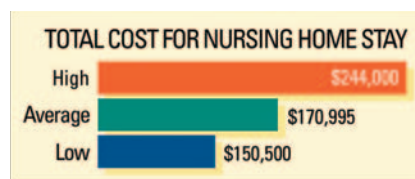


Over half of women and nearly one-third of men 65 and older will stay in a nursing home sometime during their lifetime (The Risk of Nursing Home Use Later in Life, Medical Care 28(10): 952-62).

When you reach age 65, you have a 40% lifetime chance of entering a nursing home, and a 10% risk that you will stay there at least five years (U.S. Department of Health and Human Services).

"The average length of stay in a nursing home (current resident) is 892 days" (The National Nursing Home Survey: 1999 Summary).

## What will you pay for nursing home care?



Right now, the average rate for a private room in a nursing home is \$192 a day, or \$70,080 annually. **That equals \$170,995 for the average nursing home stay of 2.44 years.** (MetLife Mature Market Institute: 2004 survey).

In some parts of the country it can cost over \$100,000 a year. If we assume that nursing home costs will continue to reflect recent trends, by the year 2021, the average rate will have risen to about \$480 a day, or \$175,200 annually.

## What if you want care at home? How much will that cost?



If you're like most people who need care, you would prefer to stay in the comfort of your own home. For this reason, many people do receive care at home instead of, or prior to, a nursing home stay. Long term care insurance pays for at-home care. According to Smartmoney.com, full-time home health care can cost more than twice as much as nursing home care. The average hourly rate for home care is \$37 for a Licensed Practical Nurse and \$18 for a Home Health Aide. It's important to keep in mind that this is just part of the cost because, if you live in your own home, you've still got to pay to take care of your home.

However, for most people, home care services are combined with care from family members and cost considerably less than nursing home care.

MetLife Market Survey on Nursing Home and Home Care Costs 2002, Metropolitan Life Insurance Company, 2002



## If your savings and investments are at risk, is insurance the right solution?

Insurance will be the right solution, but it depends on your circumstances. In my experience as a long term care expert, I recognize where the need is greatest. For example:

- **If you have minimal assets**, long term care insurance is inappropriate because the premiums would deplete those assets and you will likely qualify for Medicaid anyway.
- **If you are independently wealthy** and can pay for long term care yourself, the coverage may be very attractive because the relatively modest premium makes sense when compared to the high costs of the care.
- **If you have assets worth protecting**, but are not independently wealthy, you need to get the facts about long term care insurance and consider this coverage as an alternative to paying for the care yourself.

**Selected quotations from major publications and agencies:**

*“More than half of all women and a third of all men who survive to age 65 are expected to spend time in a nursing home before they die.”*

Wall Street Journal, February 21, 2001

*“Seventy-five percent of nursing home residents 65 years and older are female, and two-thirds of home health care users are female.”*

“Long Term Care Insurance: Better Information  
Critical To Prospective Purchasers,”  
U.S. General Accounting Office, Sept. 13, 2000

**When you or a loved one develop a need for long term care, the decisions you make right now will influence:**

*Who cares for you.*

*The quality of care you receive and where you receive that care.*

*The emotional and financial effect your illness will have on your loved ones.*

Many people consider long term care the single greatest uninsured risk most Americans face today.

**Notes:**

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## Section II

### 5 things you should know before considering long term care insurance

**1 DON'T BUY TOO MUCH INSURANCE – TOO MUCH COVERAGE MAY BE WORSE THAN NO INSURANCE.**

I've seen that buying too little coverage won't protect your assets, but I've also seen that purchasing too much coverage can be a big mistake. Your premiums need to be affordable – if the premium you pay changes your lifestyle or depletes your assets, it's the wrong policy for you. Just like the huge cost of long term care without insurance coverage, too much insurance can deplete your assets.

**Design an affordable and effective policy that keeps pace with inflation and provides affordable premiums throughout your retirement years.**



**2 PROTECT YOURSELF AGAINST PREMIUMS THAT ARE LIKELY TO INCREASE.**

My years of long term care experience have shown that choosing the right insurance company is one of the most important decisions you can make when considering long term care insurance. It's vital that you avoid those insurance companies that have a history of raising rates. Instead, you need to seek out companies with a track record and commitment to rate stability.

Most insurance companies promote their "rate stability," but a long term care specialist will know which insurance companies have demonstrated a real commitment to the client and which are more likely to raise premiums.

Qualifying with a company that is less likely to raise rates is far more desirable than signing with a company that has a history of raising premiums – even if the initially quoted premium appears low.



**3 BEING REJECTED FOR COVERAGE DOESN'T HAVE TO MEAN YOU CAN NEVER GET LONG TERM CARE INSURANCE.**

I work with some companies that have tight underwriting guidelines and could reject an application. However, other companies I work with have different guidelines and might accept that same person.

If you have certain health conditions, it may be more difficult to get coverage. Yes, the insurance can cost more, but if you have a health condition the protection you get can be extremely valuable to you and your family.

If you've been declined for coverage, you need to locate a long term care specialist who can help you find additional options.

Of course, applying for coverage while you enjoy good health can provide more choices.



#### 4 GET EXPERT ADVICE – IT DOESN'T COST YOU ANY MORE.

It's important to recognize that insurance is a regulated industry and the price you pay for any specific policy is going to be the same no matter with whom you work.

Long term care insurance is a relatively complex form of insurance with many companies, policies and benefits from which to choose. If you are considering coverage, it's important to get solid, objective advice from a dedicated specialist, someone who has spent years helping hundreds of individuals choose a policy with the benefits that offer the most value at the most affordable price.

A specialist will also have many high quality companies and policies to choose from to ensure that you get the best coverage available.

Professionals, such as accountants, financial planners, estate planners, lawyers, human resource managers and others all may be experts in their fields and may also offer long term care insurance to their clients; but it takes specializing in long term care insurance to learn it's intricacies. It is strongly recommended that before you purchase long term care, you should consult with a long term care specialist.



#### 5 BE AWARE THAT LONG TERM CARE IS AN ESPECIALLY IMPORTANT ISSUE FOR WOMEN.

I have often noted that women:

- Are caregivers to their husbands
- Have a longer life expectancy and may out-live their spouse or partner
- Can find themselves struggling to survive with depleted assets
- Make up two-thirds of the people in nursing homes

It is estimated that **1 out of 2 women will need long term care** at some point in their lives as compared to only 1 out of 3 men who will require long term care.

Also, women tend to care for their spouses at home without assistance. Therefore, only 1 out of 3 men will require professional long term care services.

For all these reasons, you may want to share this information with your spouse and make certain that you both are properly protected.



## Section III

### Additional insider tips to help maximize the value you get from coverage

#### **INSIDER TIP 1:** Take advantage of long term care insurance discounts.

I've met people who would have qualified for discounts but didn't take advantage of them. Don't let that happen to you.

Among the discounts you may qualify for:

- Spousal discount
- Preferred health discount
- Group coverage discount with an employer or association

Typically, the savings can range from 5% all the way up to 30% or even more. The result: You save money and acquire better coverage.

Every insurance company is different and it's important to select the right policy with the right company... one that offers the discounts that create the best value for you.



#### **INSIDER TIP 2:** Some policies pay you cash and others pay with a reimbursement system.

Different plans have different benefit structures. For instance:

- **A Reimbursement Policy** reimburses you for the actual costs of specific, defined services and only up to the selected benefit.
- **A Cash Benefit Policy will pay you the full selected benefit rate.** You receive the benefits regardless of who provides the care or how much the actual services cost. This type of policy provides the full benefits you applied for and complete discretion as to how you spend the money.
- **Some Policies are a combination of the two.**

Many policy holders prefer the cash benefit since it gives them total freedom to pay for any services they feel are important and which may not be included in most contracts.



**INSIDER TIP 3: Some insurance policies return all of the premiums you've paid in whether or not you need care.**

"Return of Premium" benefits are offered by insurance companies in many states. For example:

- One policy will return premiums to you, but only after making deductions for any claims paid.
- Another policy may offer a full return of the premiums you've paid, regardless of your claims history. If the policyholder dies, the estate or beneficiary will receive all premiums previously paid.

While this can look appealing at first glance, these optional benefits can be expensive.

I encourage you not to lose sight of the primary reason for acquiring long term care insurance – the benefit you get when you need long term care.

**Special note to Business Owners and Managers: The Return of Premium Benefit does offer some excellent tax advantages to businesses and business owners. (Please see page 23 for a special description of the tax benefits you can enjoy.)**



**INSIDER TIP 4: Even if you are eligible, group coverage may NOT be your best buy.**

Clearly, there are some advantages to group coverage. These can include guaranteed acceptance (no health underwriting) and a payroll deduction policy for employees.

But group coverage may offer reduced benefits that offset the insurance company's obligation to offer coverage to individuals with greater health risks.

Among the potential disadvantages, large group policies may:

- Tend to be "one size fits all," that is, not customized to your needs
- Have limited benefits that don't offer the protection that's most important to you
- Be deficient at "in-home" care by not allowing the full daily benefit amount
- Not provide adequate inflation coverage – many individual policies have an automatic inflation benefit that won't increase your premium, but group policies may only have a "Future Purchase Option," which allows you to increase benefits to keep up with inflation, resulting in continually rising premiums

If you are having a problem qualifying for individual coverage, group insurance may be a good option because of less stringent underwriting guidelines. But, if you can qualify for more stringent underwriting, an individual policy is usually your best value.



**INSIDER TIP 5: You can increase your coverage with a Spousal Shared Benefit.**

A Spousal Shared Benefit enables married couples who buy similar coverage to combine their Maximum Lifetime Benefit.

With this benefit, either spouse will have the added strength of combined coverage, providing greater protection when the need for long term care arises.

**INSIDER TIP 6: If affordability is a concern, consider State Partnership Programs.**

Currently, Partnership Programs are in place for residents of New York, Indiana, Connecticut, and California. Other states are considering Partnership Programs.

These programs are designed so a policy can be more valuable for middle and lower income individuals. Consumers who purchase these policies are insured for covered long term care expenses for a predetermined level of benefits through a private insurer. If these benefits are exhausted, and the individual still requires services, Medicaid will be available, but without the insured having to spend down all of his or her assets, as is usually required to meet Medicaid eligibility criteria. The individual is permitted to retain part or all of his or her assets as per the state's requirements.



**INSIDER TIP 7: There are ways to reduce the cost of long term care insurance.**

**Coinsurance** means paying for a portion of your care yourself from existing financial resources and designing an insurance plan to pay the rest. This requires taking the time to fully understand the cost of care and its affordability.

**Increasing the elimination period** or deductible means you'll pay more out of pocket initially, but you will be covered for the more severe risk of an extended stay.

**Reduce the in-home care benefit** to reduce the premium. Most home care is a combination of care provided by your family and care administered by a health care provider. Many times the availability of home care allows an individual to stay home longer and reduces the burden and dependence on the family. This may cost significantly less than facility care. The real financial risk occurs when care is needed in a nursing home. Reducing the home care benefit reduces costs, yet still protects you from the major risk of an extended stay in a nursing home.



**INSIDER TIP 8:** There are many potential tax advantages when you acquire long term care insurance. Be sure to take full advantage of them.

The government has indicated they want people to buy this insurance by making long term care insurance the most tax-advantaged insurance available. **I encourage you to make use of every tax break you're entitled to.**

Like medical costs, long term care insurance premiums qualify for tax deductions. If an employer pays for all or part of your coverage, the premiums paid by the company are not taxable. A savings of up to 35% may be available.

**Special note to business owners, managers or executives of a C Corporation: If you own your own business, don't miss a valuable tax saving opportunity. There may be some other very specific tax advantages that allow you to transfer assets from your business to your estate. Be aware that accountants and tax preparers vary in their knowledge of long term care tax deductibility. (Please see page 23 for a special description of these benefits.)**



**INSIDER TIP 9:** There are other options if long term care insurance isn't appropriate.

People have asked me if there are other ways to obtain protection without buying long term care insurance. Yes, there are ways to obtain protection, but in almost all cases they are limited in addressing the full financial need. In the event that you cannot qualify for long term care insurance, any of the following could be an extremely valuable option.

- **Reverse Mortgage** - If you're uninsured and need money to pay for long term care services, you can look to other financial vehicles such as a reverse mortgage which, assuming you have adequate equity in your home, will deplete that equity in return for cash. This can be used to pay for your care or to fund a long term care insurance policy.
- **Accelerated Benefits** - Some whole or universal life insurance contracts pay accelerated benefits to policyholders who are terminally ill from such causes as cancer or heart disease.
- **Deferred Annuities** - Some deferred annuities have waivers that allow you to withdraw money without penalty upon entering a nursing home.
- **Impaired Risk Annuity** - If you have a known health concern, an Impaired Risk Annuity will offer you a higher than standard return because of your existing health problem.



## Section IV

### **INSIDER TIP 10: Minimize your chances of needing long term care.**

There are steps you can take today that may help reduce your need for long term care:

- Get regular medical examinations.
- Live a healthy lifestyle, which includes regular exercise and a good diet.
- If you smoke, find a way to break the habit.
- If you drink alcohol in excess, cut back.
- Drive safely and always wear your seat belt.
- Do all you can to prevent falls and other accidents at home (especially in the bathroom).
- Consider some of the new early warning tests for osteoporosis, Alzheimer's disease or for blocked arteries that can help prevent a stroke or heart attack.

The single greatest reason for long term care is cognitive impairment. Thus far, medical science has not yet found the cause or cure. Even a former U.S. president with significant wealth and the best of medical care can linger for years in a state that requires constant care.

**Please see Appendix B on page 25 for more information about minimizing your chances of needing long term care.**



### **The single biggest mistake you can make: Waiting to learn about long term care insurance**

If long term care insurance is right for you, waiting even one day can cost you a significant amount of money. Here are five reasons why waiting is risky:

- If you can qualify now you should buy it now. You may not qualify in the future.
- Your health will generally not improve as you age. By getting the coverage while in good health, you get the lowest price. (Once you acquire the protection, it cannot be taken away no matter how your health might change.)
- The cost of purchasing long term care insurance goes up as you age. By protecting yourself now you lock in the lower cost. The longer you wait, the greater the total cost. In fact, more people are buying long term care insurance at a younger age.
- By considering long term care now, while you are younger and in good health, you are likely to have a wider choice of insurance companies.
- By acquiring long term care insurance when you are younger, you gain additional years of coverage.

### **Plan to wait 5 more years? Here's an example of the costs of waiting:**

**If you wait you will:**

Increase the annual cost of the insurance because you will have to buy a higher daily benefit as costs of long term care rise in coming years.

**Be five years older, so your premiums will be higher due to your attained age and will also be subject to rate guides in use at that time.**

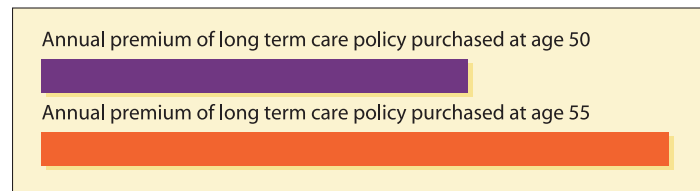
## Section V

### Example:

The following example uses a long term care insurance policy that includes \$150 daily benefit, four-year benefit period, 90-day elimination period, and inflation protection with a major carrier.

Bob, 50 years old, purchases long term care insurance.

If Bob waited just five more years to purchase the equivalent policy, his annual premium would increase by approximately 40%. The premium



increased because Bob is now five years older and he has to purchase a higher daily benefit since the cost of care has increased.

Waiting five years will cost Bob an additional \$18,570.00 in premiums to age 85. Waiting did not save him one dollar – in fact, it cost him money and he did not have coverage for five years.

(This additional cost could be much higher if a change in health were to occur or a new medication were prescribed and would be subject to rate guides in use at that time from the chosen carrier.)



## How much will a policy cost? That all depends...

Now that you have basic information about the likelihood of needing care and the potential cost of that care, let's look briefly at what factors determine the cost of long term care insurance.

First, the cost of a long term care insurance plan is based on your age and your health. At age 55, you will pay a lower premium for the same benefits than you would if you were 60 years old. If you are in good health, you will pay a lower premium (even possibly qualifying for "Preferred Health" rates) than you would if you were in poor health. There is a chance you may not qualify. That's why it is wise to apply while you are still (relatively) healthy. Interestingly, underwriting for long-term care insurance is very different from underwriting for health or life insurance. You may be able to obtain life and medical coverage but not qualify for long term care insurance.

The decision you make regarding the level of benefits is the next factor in determining the premium. There are four main choices to make as you and your LTC specialist design the plan that is right for you.

**1) Monthly (or Daily) Benefit:** How much money (in dollars per month or day) do you want the insurance company to pay out when you go on claim? That choice depends on the cost of quality care in your area and whether you want the insurer to pay all or just a part of the total cost. For example, a plan that pays out \$5,000 per month would be twice as expensive as the same plan that only pays out \$2,500 per month.

**2) Benefit Period:** Once you are on claim, how long will the policy pay benefits? A benefit pool is determined by the dollars available per day (or month) and how many days or months are in your benefit period. A policy that pays \$200 per day, with a benefit period of 3 years, creates a benefit pool of \$219,000. If you used your maximum daily (or monthly) benefit every day, in 3 years your pool of money would be gone. However, if you do not use your maximum available every day, your dollars will last until the the last dollar is spent. Your insurance specialist can help you determine what is right for you, based on family history and other factors.

**3) Elimination Period:** Think of this as a deductible, just like your other insurance policies. With LTCI, this is just expressed in days instead of dollars. It is the length of time that you pay for care before the insurance starts to pay. The periods you can choose range from: 0 days, 30 days, 60 days, 90 days or more. Of course, the longer the period (the higher the deductible), the lower the cost of the premium.

**4) Inflation Protection:** Since most experts agree that the cost of care will be higher in the future, it makes sense for most people to add riders to provide built-in Inflation Protection to their LTCI policy. These riders automatically increase the daily or monthly benefit you choose to help keep pace with the rising cost of care. The two most common increases are 5% simple and 5% compound. With 5% simple interest, the benefit increases 5% each year based on the original amount. For 5% compounded, the benefits increase by 5% on the previous year's amount, just like when you leave money in the bank. Consequently, 5% simple interest causes the benefit to double in 20 years, whereas 5% compounding doubles in just over 14 years.

**5) Additional Options:** Depending on the company and the policy, there are various riders that may be available. Some of these include: Shared Care, Restoration of Benefits, Survivorship, Waiver of Premium, Waiver of Elimination Period for Home Care, Return of Premium, etc. Depending on your situation, these may or may not make sense. **Your Long Term Care Specialist will be able to advise you concerning which of these optional riders are appropriate for your situation.**

**6) Coverage Considerations for the Working Adult:** For those of you below 60 years of age, ask yourself these questions: "What will I do if I become disabled\* and can't work? How will I replace my income? How will I pay my mortgage?" If you don't have a plan in place to cover those contingencies, a plan that pays cash (see p. 12) may be worth looking at. Not only could it pay for your care, it could also be used for income replacement, mortgage payments, medications, etc.

If you are already covered by a disability plan, either through your job or an individual policy, it still may make sense to look at long-term care insurance. Why? Some disability plans only pay out for a few years. Also, most disability plans only reimburse you up to a maximum of (about) 66% of your income. That money would then be used to pay for your normal living expenses. What about the cost of your care? Recall that home care at \$18/hr could easily cost \$3,500/month in 2005 (see p. 4).

And, most disability plans terminate at age 65. I'm not suggesting that you drop your disability coverage, but, it's important to be aware that there are additional factors to consider.

### The Bottom Line

The question you probably have in your mind is "so, how much does it cost?" Answer that question with a question; "how much does a car cost?" It depends which one you buy. With LTCI, we covered the factors affecting the cost on the previous page. The cost varies according to the choices and decisions which you make. **The main thing is to meet with a specialist and find out what you may or may not need – remember, LTCI may not be for you.**

**\* In order for benefits to be paid, these tax qualified long-term care insurance plans require that you need assistance with two of six activities of daily living (ADL's) or that you have a severe cognitive impairment. A licensed health care practitioner (for example, your doctor) must certify that you are expected to need such assistance with ADL's for a period of at least 90 days.**



### What should you do next? Where should you go to get professional advice?

*Want to learn more about long term care insurance? You have several options:*

- **Your Insurance Agent** – You probably trust and work closely with an insurance agent for your auto, homeowners and life insurance. Many general agents have picked up a long term care insurance product to sell to their clients if requested. You need to consider if the product they offer is the best value for you and if it meets your needs.
- **Your Financial Advisor** – You may have an investment advisor, stockbroker or financial planner to help you make sure your assets are protected and grow. Many investment counselors now offer long term care insurance and carry a couple of products. However, if they have not offered to design a plan for you, they may not realize the magnitude of the risk or the cost of waiting to qualify.
- **Your Bank or Credit Union** - Many financial institutions are making long term care policies available, but most offer inflexible insurance with a “one size fits all” approach. This will not likely serve your individual or family needs.
- **Your Employer** – Your company may offer a group plan, but it may not be your best value, especially if you’re in good health.
- **Consult a Long Term Care Insurance Specialist** — You may not be aware of it, but, as in all industries, there are professionals who have chosen to specialize in long term care insurance.

They are aware of the latest products available and have access to many high quality plans, so they can pick and customize a plan that offers you the best value.

They also truly understand your long term care needs, having spent years protecting hundreds of clients at all levels of wealth and personal health. They truly know what will work for you.

And unlike some fields, speaking to an expert for advice costs nothing.

**When you need assistance you should seek out the advice of an expert.**

### Special long term care insurance tax advantages to businesses

#### *Long term care insurance and your taxes*

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) provides a tax incentive for individuals to take financial responsibility for their long term care needs.

Business owners who purchase long term care insurance for themselves and/or their employees may deduct a portion of their premium contributions. This means that business owners can essentially count the cost of long term care insurance as a business expense and reduce their total tax obligation. Specific laws and regulations apply, but these tax advantages can prove especially valuable for shareholders and partners of sub-S and C-corporations and limited liability companies.

#### *The following is a basic summary of these tax rules:*

- **Both the employee and employer may make long term care insurance premium contributions.** There is no limit to the amount an employer may contribute as a premium for his/her employee’s long term care insurance. These premium contributions can be treated as medical expenses and may be tax-deductible to the employer.
- **Premium contributions are tax-deductible for self-employed individuals,** subject to the limits of deductions for health insurance by the self-employed.
- **Business owners receive tax advantages** if the insurance is purchased for personal use and/or for employees.
- **Premium contributions made by an employee may be deductible for individuals,** if itemized medical expenses exceed 7.5% of annual income, subject to certain limits.
- **Businesses can purchase coverage for owners and key employees** and use long term care insurance as part of a special compensation package. This takes advantage of tax benefits for owners without incurring the costs of buying insurance for 100% of a company's employees.

## Appendix B

### **Specific tax advantages exist in each of the following categories:**

- Employer contributory arrangement
- Corporation (C-corporation or entity with a 501 trust which provides coverage to its employees)
- Individual who purchases a qualified long term care insurance policy
- Limited Liability Company
- A Partnership which purchases a qualified long term care insurance policy for non-partner employees and partners who perform services
- Self-employed person who purchases a qualified long term care insurance policy with after-tax dollars
- Sub-S Corporation

In addition, many business owners can use long term care insurance to transfer wealth tax free from a corporation to an estate. Because of the IRS's unique treatment of long term care insurance as health insurance, allowing the option of funding insurance for the owners and/or key employees, you can transfer hundreds of thousands of dollars from a corporation to an individual's estate without paying tax using a Full Return of Premium at Death rider or option. For a business owner of a C corporation, this may be the single greatest tax advantage eliminating the corporate tax and individual income tax and delivering the money directly into an estate.

Speak with a long term care insurance expert and your tax advisor for complete information about the tax advantages offered by long term care insurance.

The above information is offered for informational purposes only. This information should not be construed as tax advice. You are encouraged to speak with a long term care expert for advice about your business and consult your tax advisor regarding your own particular circumstances.



### **Is it possible to prevent or delay the need for long term care?**

By considering long term care insurance, you've taken the first step toward protecting your finances. However, long term care doesn't only threaten your assets. It is also a threat to your health and independence. Even if you are covered against the expense of long term care, an extended incident can rob you of your place in the world, including your family, friends, work and activities. In reality, what people really want is a guarantee that they'll never need long term care.

Fortunately, recent medical and technological advances have resulted in a number of simple, cost effective prevention and early detection strategies that can help you reduce your risk for many of the conditions that require long term care. At the same time, researchers are now finding that many diseases, for which there was thought no medical recourse, do, in fact, benefit from early treatment. The adoption of a prevention and early detection strategy can position you to take advantage of these emerging treatment options. By combining the purchase of long term care insurance with your own risk management strategy, you can help protect both your health and your wealth.

### **The leading causes of long term care (and what you can do about them)**

Long term care insurance has been on the market for over 30 years, allowing actuaries to determine the leading causes of claims. In nearly every case, claims involve diseases or conditions that benefit from early detection and treatment. I have listed the five major causes of long term care insurance claims (with the percentage of claim dollars they represent), and what you can do to reduce your own risk.

#### ***Alzheimer's Disease and Related Dementia (ADRD) - 31% of Long Term Care Claim Dollars***

Simple 15 to 20 minute screenings, available on-line or over the phone, can now detect ADRD at its earliest and most treatable stages. Recent pharmaceutical advances and prevention strategies have been shown to reduce the need for nursing home placement by 3 to 6 years for ADRD victims.

### ***Circulatory Disease and Hypertension Related - 16% of Long Term Care Claim Dollars***

Peripheral Arterial Disease (PAD) is often called “angina of the leg” because the ache in leg muscles resembles chest pain in heart patients. However, not all people who have PAD experience leg pain. PAD is highly under-treated and under-diagnosed, and most people are unaware that it is a strong indicator that they may be at risk of a stroke or heart attack. A simple ankle brachial index can alert you to the risk. Through early detection and intervention, you may be able to avoid a major medical problem.

### ***Parkinson’s and Other Central Nervous System Conditions - 14% of Long Term Care Claim Dollars***

A recent study from the Mayo Clinic has shown that early detection of Parkinson’s is a major advantage in successful management of this condition. The combination of an experimental drug with a widely available brain-scan device appears to allow detection before symptoms appear. Drugs now in research trials have been shown to reduce the loss of dopamine to the brain, which is the primary cause of Parkinson’s Disease.

### ***Stroke – 9% of Long Term Care Claim Dollars***

Strokes are the third leading cause of death in the United States and a leading cause of nursing home stays. Through the use of ultrasound prevention, thrombotic strokes (caused by fatty plaque build-up in the carotid arteries) can be prevented. Surgical and medical interventions are available if a person is found to be at risk for a stroke.

### ***Broken Hips and Related Injuries - 9% of Long Term Care Claim Dollars***

Osteoporosis is a major health threat for over half of all people aged 55 or older. One can prevent becoming a statistic by taking advantage of prevention and treatment. Osteoporosis screenings are offered for men and women to assess the risk by identifying low bone density. For those who have been identified to have a high risk for osteoporosis, medical management can take place through your primary care physician.

Within each of these categories, there is much you can do as an individual to reduce your personal exposure. Prevention, early detection and treatment strategies can significantly reduce your risk and the potential need for care.

## **What should you do if you are interested in preventing or delaying the need for long term care?**

Two companies specialize in preventative and early detection strategies for chronic conditions. Though we can make no guarantees, our research has shown them to have the best combination of cost and effectiveness.

In the area of cognitive conditions (ADRD), Medical Care Corporation offers the most current technology, prevention and treatment strategies. They can be reached at [www.mccare.com](http://www.mccare.com) or by phone at (949) 838-0154.

In the areas of circulatory disease, stroke and osteoporosis, Life Line Screening offers inexpensive, highly sensitive screens through a mobile service delivered in the community. They can be reached at [www.lifelinescreening.com](http://www.lifelinescreening.com) or by phone at (216) 581-6556.

No one can assure that you will benefit from using services such as the ones above. However, I do believe you will have a better chance for an extended, independent life using approaches such as these. By combining your own preventative and treatment strategy with a well-chosen long term care financing strategy, you will find no better protection against the threat to your health *or* your assets.



