

Long Term Care Insurance: A Critical Piece of Asset Protection



Stocks, bonds, annuities, mutual funds, 401(k)s, pensions, CDs...they all make up a well-balanced and diversified portfolio to make sure your assets are protected from market risks.

But what about your long-term health risks? Are your assets protected from them?

Sure, your basic health insurance plan (and [Medicare](#) if age 65+) is a good plan and may help you with *some* long-term care costs. But no plan pays for everything, especially when it involves long-term care in your home, assisted living facilities or nursing homes. This type of care is limited and it can be very expensive. (National average cost is \$78,000.00 annually.¹)

Long-Term Care Myth #1

It won't happen to me

Living a longer life is a near certainty these days. But it comes with the increased risk of health problems (heart, diabetes, arthritis, cancer, Alzheimer's). At retirement age, nearly two-thirds of Americans will need long term care.² That's at least one if not both you and your spouse.

That's why many financially savvy Americans are adding Long Term Care insurance (LTCi) as part of their retirement portfolios.

Long Term Care insurance is not insurance coverage for care in a hospital, nor is it just nursing home coverage. It provides coverage for the care you may need on a long-term basis—such as before, during or after an illness or accident.

It can be an important piece of asset protection later in your life by helping fund your care—rather than withdrawing money from your personal assets to pay for it.

In addition, when you have LTCi protecting your assets, you'll be able to:

- **Take advantage of tax benefits:** As an individual, the benefits provided to you from a long-term care policy are income tax free. If you withdraw funds from your assets to pay for long-term care, you may actually lose money because you may have to pay a capital gains tax. (Please consult a tax advisor for full details.)

Your state may also offer additional tax advantages. Check with your state insurance department or insurance agent for information about tax-qualified long-term care insurance policies.

(Note: If you're self-employed or a business owner, please see the special side note for additional advantages for you.)

Attention Self-Employed Members and Business Owners:

LTCi offers you additional advantages:

- Some states offer tax credits, paid-up options, and return of premium features.
- You can deduct 100 percent of your personal premiums (subject to age-bracketed limitations)
- Premiums paid for employees are 100 percent deductible
- Policy benefits are tax-free
- Benefits do not inflate income
- It is fully portable
- You can use it to retain/reward key employees

Long-Term Care Myth #2

My health insurance will pay for it.

Most basic health insurance plans provide for preventive services, not long-term care. And Medicare limits coverage to 100 days of care in a skilled nursing facility. That doesn't cover care in an assisted living facility or at home—where you're more likely to want it.

- **Maximize estate planning or legacy planning goals:** You'll have a strong health care plan in place to pay for your care and leave all your assets for your other plans and goals.
- **Preserve your lifestyle:** You work hard, pay taxes and save what you can for your “golden” years so you can continue your lifestyle. You hope the money you saved will be used for food, housing, and other day-to-day living expenses during your non-working years. But when these funds are used for long-term care expenses, the probability of having enough money to preserve your lifestyle diminishes.

- **Eliminate burden placed on family members:** When the time comes and you need long-term care, who will make the decisions for you about your care? Who would pay for it? LTCi solves both problems by providing the funds to have professional caregivers help you with these decisions.

Long Term Care Insurance Policy Features

Now, you agree it makes sense to protect your assets from long-term care risks. What should you look for in an LTCi policy?

Fortunately, there are a wide range of benefits and features designed to meet your personal needs. Here are some of the key features to consider:

- **Policy Coverage:** You can choose to cover only one type of care, or you can opt for coverage that allows a choice of home care, assisted living or nursing home. You can also set up your policy to have a family member or friend care for you in your home.
- **Benefit Period:** You can choose any length period benefit—typical periods range from two years to lifetime. You can keep premiums down by electing coverage for three to four years—longer than the average nursing home stay.
- **Benefit Amount:** You also determine what dollar amount is paid by the insurance company for each day or month you are covered. If the daily or monthly cost of care exceeds this benefit cap, you will have to pay the remainder out of pocket.
- **Deductible Period:** Most policies have an “elimination period” that begins when you first need long-term care services. During this period, the policy does not pay benefits. This period could last anywhere from 0 to 365 days.
- **Inflation Protection:** Healthcare costs are rising faster than inflation, and the care you may need in the future will likely be much more expensive. So it is generally wise to include “inflation protection” in your policy.

Long-Term Care Myth #3

My family will take care of me.

Can your spouse lift you if needed or provide medical care? Do your children live close to you? Do you want to be a burden to your loved ones? Will it be fair to them or will it disrupt their lives?

In addition, make sure your LTCi policy:

- Clearly explains when you will be eligible for coverage, and how eligibility will be determined.
- Does not require a hospital stay before commencing benefits.
- Will be renewed for as long as you pay the premiums.
- Allows you to stop paying premiums if/when you begin receiving benefits.
- Has only one deductible for the life of the policy.

Where to Shop for a Policy

Long-Term Care Myth #4

I can pay for it if I need it.

If you have assets over \$5 million, you probably can. But are your assets earmarked for long term health care or for your retirement lifestyle?

LTCi is one of the fastest growing insurance products—because of the need for it as well as the asset protection advantages. There are many resources available to you: local insurance agents, the Internet, some employers provide it and various member organizations offer it.

The key is to find a resource you can trust that provides objective, unbiased advice and guidance based on your personal situation—and is not just pressuring you to buy in order to secure a commission.

As an IEEE member, you have access to discounted insurance premiums and industry experts inside the **Long Term Care Resources Network for IEEE members**. Call 1-800-588-7421 and you'll receive a free one-on-one consultation, which includes a risk analysis based on your personal situation, budget and lifestyle needs, and there is no pressure to buy.

For more information about the Long Term Care Resources Network for IEEE members, visit the product page at www.ieeeinsurance.com or call 1-800-588-7421.

Long-Term Care Myth #5

I'm young so I'll wait to buy it until later on.

If you wait to buy it until you actually need it, you may not qualify due to a health issue. The best time to buy is when you're in your 40s-50s, before you develop any health issues. Plus, the younger you are when you purchase, generally the lower your premium rate will be.

¹Prudential Cost of Care Study, 2008.

²Genworth Financial 2010 Cost of Care Survey.