Long Term Care Planning Strategies

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By 2030 nearly 71 million Americans will be age 65 or older - representing 20% of the American population¹

- Where are we going to live?
- What type of health insurance will we have?
- What are the risks and costs of a long term care need?

¹ Prudential LTC Cost Study 2010
Long Term Care

- Long Term Care is the type of assistance provided to individuals unable to take care of their Activities of Daily Living.

- People age 65 face at least a 70%¹ lifetime risk of requiring some type of long term care. (40% - for nursing home)

- Changes in mortality rates as well as family dynamics has resulted in long-term care becoming a major issue for Americans today.

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¹ National Clearinghouse for LTC Information, www.longtermcare.gov US Department of Health & Human Services, Administration on Aging,
Discuss and document your preferences for long term care.

Provide for the best possible care without worrying about money.

Preserve the emotional, physical and financial health of the healthy spouse/partner/child.

*Prevent family disputes and dissension.*
When to begin planning for long term care

- When you are in good health
- Age 50 and above
- When your children have left home
- If you are self employed or own a business
- During estate/retirement planning
Planning Discussion Questions

- What is your family medical and longevity history?
- If LTC is needed – where do you want to receive care?
  - Home: A place that is familiar and community is known – however, isolation can be a problem
  - Location – Florida/Arizona or where your family is
- Are there children/relatives to manage the care? Are they capable? Do you want to set out guidelines?
- Which assets are currently expected to pay for care?
Planning for Long Term Care

Financial Issues
- Designated Assets or Repositioned Assets
- Long Term Care Insurance
- Reverse Mortgage

Update or secure appropriate advisor relationships
- Medical personnel
- Private Banker/Trust Officer/Financial Advisor
- Attorney
- Care Manager: www.caremanager.org
Planning for Long Term Care

- Residential Issues
  - Condo vs. stand-alone home – one floor vs two floors
  - Home Modifications – i.e. first floor bedroom and bath
  - Village Model: i.e. Beacon Hill Village Community
  - Continuing Care Retirement Communities
  - Location – is it near family, good medical care?
What causes a need for long term care

Claims - Most prevalent

- Stroke
- Dementia
- Arthritis
- Cancer
- Injury

Source: AALTCI, 2010 LTCi Sourcebook
Planning for Long Term Care

The Average Cost of Long Term Care – today and in the future

At-Home Care

2012 $39,000
2032 $160,000

The average annual cost is $39,000\(^{(1)}\) and is projected to jump to $160,000 by 2032.\(^{(2)}\)

Private Nursing Home Care

2012 $132,000
2032 $310,000

The national average annual cost is $132,000\(^{(1)}\) and is projected to jump to $310,000 by 2032.\(^{(2)}\)

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(1) Genworth 2012 Long-Term Care Cost Study. (Home care costs based on home health aide per hour: $25 x 5 hrs/day x 6 days/wk)
(2) Projected long term care costs are based on 3% compound inflation growth.
Who/What pays for long term care?

- Medicare & Group Health Insurance
  - Pays up to 100 days in a nursing home and some limited home health care if skilled care is required and you are homebound

- Medicaid pays for long term care for the impoverished

- People with assets pay out of pocket

- Private Long Term Care Insurance
Planning for Long Term Care

Long Term Care Insurance (LTCI)

- Long Term Care Insurance pays for chronic care needs
  - Home health care
  - Assisted Living Facilities
  - Nursing Home Facilities
  - Hospice, Adult Day care, Home Modifications
  - Care Management
Planning for Long Term Care

Benefit Eligibility

1. A loss of the ability to perform, without Substantial Assistance, at least two Activities of Daily Living due to a loss of functional capacity. This inability must be expected to continue for at least 90 consecutive days. ADL’s are Bathing, Continence, Dressing, Eating, Toileting and Transferring.

   OR

2. A severe Cognitive Impairment that requires Substantial Supervision to protect you from threats to health and safety.

   A Plan of Care must then be developed by a Licensed Health Care Practitioner.
Planning for Long Term Care

- Designing the Long Term Care Coverage

- Benefit Amount: $1,500 - $15,000 per month
- Benefit Pools: # of Years selected to calculate your pool of benefits. (2 Yrs – 10 Yrs)
- Inflation Riders: Inflation Options – 3%, 5%, CPI Indexed
- Riders: Shared Benefits
- Premium Payments: Your age is guaranteed but premiums can be increased.
What will long term care insurance cost you?

- Sample policies have been proposed on the next page in a comparative form.
- Assumptions have been made as to daily benefit, benefit period, health status, etc.
- Final premium costs are provided at the time of policy issuance after underwriting approval.
# The Cost of Long Term Care Insurance

$7,500 per month, $360,000 initial benefit pool
4 year minimum benefit pool, 3% Compound Inflation Rider

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Federal Tax Incentives

- Under HIPAA – Congress established qualified LTCI would have a number of favorable tax attributes. They are treated similarly to health insurance.
  - Employer paid premiums are tax deductible
  - Employer paid premiums are income tax free to the employees of a corporation
  - Claim dollars paid to you are received predominantly tax free.
Planning for Long Term Care

Federal Tax Consequences

- Sole Proprietor, Greater than 2% shareholder in S Corporation or Partnership
  - Eligible for self-employed health insurance deduction,
  - Limited to lesser of the IRS designated eligible LTC premium or the actual premium paid.
  - Eligible Age Indexed LTC Premium in 2013
    - Age 40 or less: $360
    - Age 40 – 50: $680
    - Age 51 – 60: $1,360
    - Age 61 – 70: $3,640
    - Age 71 and older: $4,550
**Linked Benefit Products**

**Life/LTC Insurance**

The insured can utilize the death benefit (and possibly more) in their policy for long-term care expenses.

**Annuity/LTC**

The annuitant can utilize the accumulated value as either an annuity stream or for long-term care expenses.
Female Age 60, Non Smoker, 6 Year Benefit Period

$100,000 Single Premium Life/LTC Policy

LTC is not needed:
Guaranteed Death Benefit $170,000

LTC is needed:
Guaranteed Max LTC Benefit $504,000
$7,000 Monthly
$84,000 Annually
Guaranteed Death Benefit $170,000 (minus) LTC Benefits Utilized

Client changes her mind:
Surrender Value
Year
  5  $100,000
  20 $125,000
  30 $130,000

Figures current as of November 2012
Top 10 Tips when thinking about LTC

1. No one thinks that they will need long term care.
2. Stay married or find a partner willing to help
3. Move to an elder friendly environment when younger

   *If considering LTC insurance*

4. Use corporate dollars if available
5. Plan to self insure part of the risk
6. Buy inflation protection
7. Buy more dollar benefits – less years
8. Buy when younger and healthy
9. Share benefit pools if partnered
Top 10 Tips

Number 10...........

Exercise your body – Exercise your brain

It’s your best bet to delay the need for long term care.

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