

# Long Term Care Planning Strategies

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# Issues

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- ▶ By 2030 nearly 71 million Americans will be age 65 or older - *representing 20% of the American population*<sup>1</sup>
  - 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?

<sup>1</sup> Prudential LTC Cost Study 2010

# Long Term Care

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- ▶ 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%<sup>1</sup> 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.

<sup>1</sup> National Clearinghouse for LTC Information, [www.longtermcare.gov](http://www.longtermcare.gov) US Department of Health & Human Services, Administration on Aging,

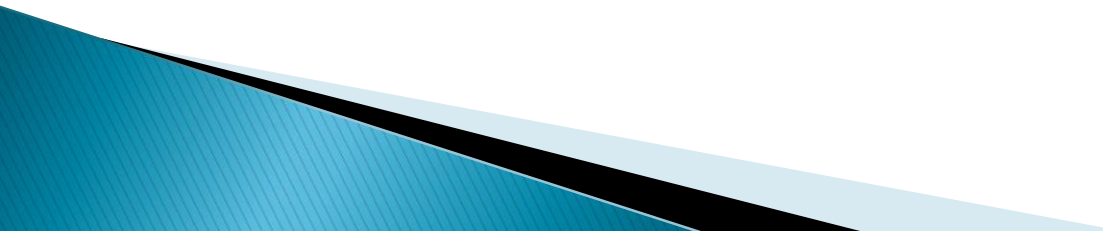
# The reason to plan for LTC

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- ▶ 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

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- 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
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# Planning Discussion Questions

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- 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

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## ➤ 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](http://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

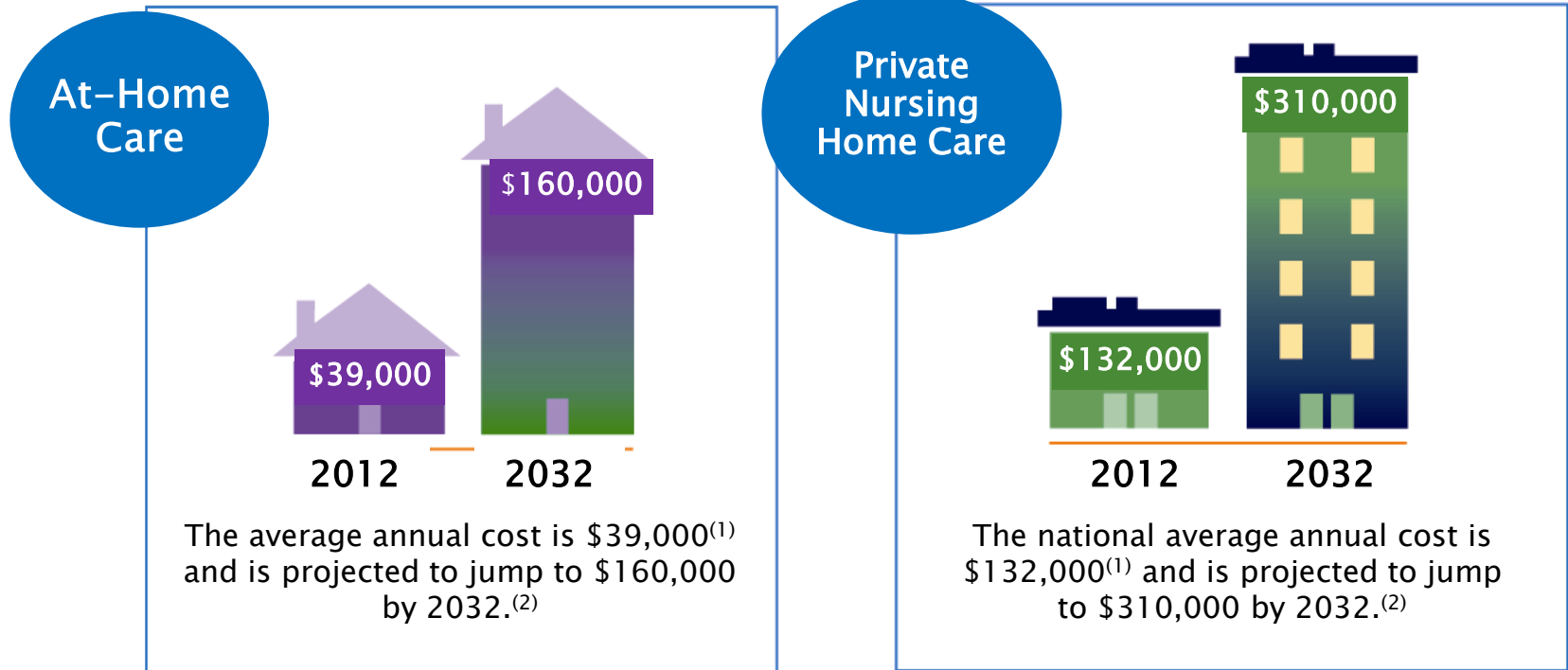
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## Claims - Most prevalent

- Stroke
- Dementia
- Arthritis
- Cancer
- Injury

# Planning for Long Term Care

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



- (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?

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- ▶ 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

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## 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

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## 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

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## ▶ 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.

# The Cost of Long Term Care Insurance

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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

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

Age	Single		Marital & Spousal
50	\$2,784		\$2,227
55	\$3,087		\$2,470
60	\$4,135		\$3,309
65	\$5,589		\$4,471
70	\$8,791		\$7,033



# Planning for Long Term Care

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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

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## 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

# Alternative Solutions – Linked Benefits

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## 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-

**Linked  
Benefit  
Products**

# Single Solution – *Sample quote*

**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

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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

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## 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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