

Long-Term Care Insurance

360 Degrees of Financial Literacy



People today are living longer. This means the odds of requiring some type of long-term care increase as you get older. As the costs of home care, nursing homes and assisted living escalate, how will you pay for long-term care? One solution quickly gaining popularity is long-term care insurance (LTCI).

Americans on average pay \$56,000 annually for home care. Since HMOs, Medicaid, Medicare and Medigap do not pay for most long-term care expenses, you should be financially prepared to take on such costs. Long-term care insurance (LTCI) provides an alternative way.

WHAT IS LONG-TERM CARE?

Long-term care refers to the ongoing care of any individual, not just the elderly, who can no longer perform basic activities of daily living, (ADLs) such as bathing, dressing or eating, due to illness, injury or cognitive disorder. Required care can be provided in private homes, assisted-living facilities, adult day-care centers, hospices and nursing homes.

WHY YOU NEED LTCI?

Consider purchasing an LTCI policy if some or all of the following apply:

- You are between the ages of 40 and 84
- You have significant assets to protect
- You can afford to pay the premiums now and in the future
- You are in good health and are insurable

HOW DOES LTCI WORK?

You pay a premium, and when you need it, the policy pays a selected dollar amount per day for a set period of time for the type of long-term care outlined in the policy.

Most policies provide that certain physical and/or mental impairments trigger benefits. The most common method for determining when benefits are payable is based on your inability to perform certain activities of daily living. Typically, benefits are payable when you're unable to perform a certain number of ADLs.

Some policies, however, will begin paying benefits only if your doctor certifies that the care is medically necessary. Others will also offer benefits for cognitive or mental incapacity, demonstrated by your inability to pass certain tests.

WHAT'S IT GOING TO COST?

Bottom line: LTCI is expensive. However, some important factors that affect price include: size of benefit, length of benefit period and optional rider.

For the most part, premiums are based on your age at the time you purchase the policy. As a result, the younger you are when you purchase a policy, the lower your premiums will be.

FINDING FOR A POLICY THAT'S RIGHT FOR YOU

Since LTCI is a relatively new insurance product, policy types vary. So before you buy, it's important to shop around and compare. Read the Outline of Coverage portion of each policy carefully, and make sure you understand all of the benefits, exclusions and provisions. Once you find a policy you like, be sure to check insurance company ratings from services such as A. M. Best, Moody's, and Standard & Poor's to make sure that the company is financially stable. When comparing LTCI policies, consult a financial professional, attorney or accountant for more information.

