

# The Guidebook For Bringing Simplicity To Long Term Care Insurance

by Duane Lipham, CLTC

All rights reserved

Legal disclaimer: The information contained in this book is for general guidance on matters of interest only. The application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations, and the inherent hazards of electronic and non-electronic communication, there may be delays, omissions or inaccuracies in information contained in this book. Accordingly, the information in this book is provided with the understanding that the author and publisher are not herein engaged in rendering legal, accounting, tax or other professional advice and services. As such, it should not be used as a substitute for consultation with professional accounting, tax, legal, or other competent advisors. Before making any decision or taking any action, you should consult your legal, tax, and financial advisors.

While we have made every attempt to ensure that the information contained in this book has been obtained from reliable sources, Duane Lipham, CLTC is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this book is provided "as-is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability, and fitness for a particular purpose. In no event will Duane Lipham, CLTC, [duanelipham.com](http://duanelipham.com), their related partnerships or corporations, or the partners, agents or employees thereof be liable to you or anyone else for any decision made or action taken in reliance on the information in this book or for any consequential, special or similar damages, even if advised of the possibility of such damages.

## **Table Of Contents**

<b><u>Introduction</u></b>	<b>Page 3</b>
<b><u>Is Long Term Care Insurance A Wise Investment?</u></b>	<b>Page 3</b>
<b><u>What Does Medicare And Medicaid Pay For Long Term Care?</u></b>	<b>Page 6</b>
<b><u>Why Do People Buy Long Term Care Insurance?</u></b>	<b>Page 8</b>
<b><u>Who Doesn't Everyone Buy Long Term Care Insurance?</u></b>	<b>Page 10</b>
<b><u>Who Needs Long Term Care Insurance?</u></b>	<b>Page 12</b>
<b><u>When Should You Consider Buying LTCi?</u></b>	<b>Page 14</b>
<b><u>Who Benefits Most From LTCi?</u></b>	<b>Page 15</b>
<b><u>The Five Foundational Features Of A Good LTCi Policy</u></b>	<b>Page 16</b>
<b><u>Ways To Reduce The Cost Of LTCi</u></b>	<b>Page 25</b>
<b><u>Group vs Individual LTCi Policies</u></b>	<b>Page 27</b>
<b><u>Which Insurance Company Should I Choose?</u></b>	<b>Page 28</b>
<b><u>Other Policy Features</u></b>	<b>Page 30</b>
<b><u>Why Choose A CLTC Professional?</u></b>	<b>Page 31</b>
<b><u>What Is Your Next Step?</u></b>	<b>Page 33</b>
<b><u>Conclusion</u></b>	<b>Page 35</b>

## Introduction

Long term care insurance (LTCi) is often presented as a complicated, confusing product that is difficult to understand. That is simply not true though, and this guidebook is designed to help the average person get familiar with the most important features of a good LTCi policy and answer several of the most commonly asked questions that folks may have about LTCi.

### Is Long Term Care Insurance A Wise Investment?

One of the most common objections to investing in LTCi is that some folks feel that they will probably never use the policy since they are in pretty good health now, and they don't want to waste money on something that will never actually be put to use.

So a good question to ask is: **What evidence is there that LTCi is a wise and sound investment?**



**Important point:** The purpose of investing in any form of insurance is not to solve an immediate problem, but to protect against the risk of future catastrophic financial loss arriving unexpectedly.

To answer that question, consider this:

- **Would you consider auto liability insurance a wise investment for a person that has assets that need protection? If so, why?**

Isn't it because a good auto liability policy can help protect against financial ruin in the case of a major accident? Now we aren't talking

about minor fender benders here. Even though they can cost a few thousand dollars to repair, the real threat to a person's financial assets would be a major accident where individuals are seriously hurt and may require extremely expensive medical treatment, perhaps even for a long period of time. Such treatment can cost hundreds of thousands of dollars, and so it is clear that a comprehensive auto liability policy can help protect against such a major financial threat.

Do you have such an auto insurance policy for each vehicle you own?

- **Would you consider having a home owners insurance policy a wise investment? If so, why?**

Isn't it because a good home owners policy can help protect against major damage to your home from fire, flood, and other disasters?

Since a person's home is often their most valuable physical asset, it only makes sense to protect yourself against financial ruin that could arise if you had to pay to completely replace your home after a major catastrophe. Such an expense could easily cost hundreds of thousands of dollars.

Do you currently have home owners insurance?

If you do see the wisdom in investing in both an auto and home insurance policy, what are the odds that you will have to use either of them to protect against a major financial threat in your lifetime? One in fifty? One in a hundred? Maybe more?

Well, **according to the U.S Department of Health and Human Services**, the facts are that the odds that a person that is now 65 years of age will need some form of long term care is very significant. Here is a quote from their web site:

***“About 60 percent of individuals over age 65 will require at least some type of long-term care services during their lifetime. Over 40 percent will need care in a nursing home for some period of time.....It is difficult to predict how much or what type of care any one person might need. On average, someone age 65 today will need some long-term care services for three years. Service and support needs vary from one person to the next and often change over time. Women need care for longer (on average 3.7 years) than do men (on average 2.2 years). While about one-third of today's 65-year-olds may never need long-term care services, 20 percent of them will need care for more than five years.”***

Since a three year stay in a nursing home fifteen years from now will most likely cost just under a million dollars for a couple age 65, it can spell financial ruin for many folks who have worked hard to save carefully all their lives.

Now if you can see the wisdom in investing in auto and home insurance in order to protect your financial plans and goals, doesn't it make sense to complete the circle of financial asset protection by adding long term care insurance, since the odds of your having to use it at some point in your life is so much greater than almost any other kind of insurance you may own?



**Important point:** Keep in mind that you can't get auto insurance to cover a major accident **AFTER** the accident has already happened, if you didn't have the insurance beforehand. In a similar vein, the time to invest in LTCi is when you are healthy enough to be able to qualify and keep the rates low.

## **What Does Medicare and Medicaid Pay For Long Term Care?**

Medicare is a wonderful health care assistance plan provided by the federal government to help make sure that seniors get quality health care that they need and deserve as they age. It covers a wide array of medical needs very well, but **one area that it does very little to address is long term care.**

There is a common misunderstanding among many people that Medicare does cover long term care costs, but actually it provides very little protection in such cases. Medicare is mainly concerned with providing health care for acute needs. In other words, if you have an illness or accident that requires a visit to the doctor, hospital, or care facility, and your health is expected to improve as a result, Medicare is there to help out.

However, if your health situation deteriorates to the point that you need assistance with activities of daily living including eating, bathing, dressing, continence, toileting, and transferring, it is now a long term custodial care situation that Medicare is not designed to cover.

So what exactly does Medicare do to assist with the cost of long term care? It only fully covers the cost of skilled care while you are in a nursing facility for the first twenty days, and pays for home health care visits only when skilled care is involved. Once again, skilled care is care for situations where you are expected to get better as a result, such as IVs, changing dressings, physical and speech therapy, and so forth. **Once the progress stops, the care is no longer skilled, and becomes custodial instead.** And that is where Medicare's assistance ends.



**Interesting Fact:** The average number of days that Medicare actually pays for nursing home care is only twenty three days according to the 2001 Nursing Facility Sourcebook. That means that the vast amount of facility care that is received is **NOT** paid for by Medicare funds.

Here is where another government agency, known as Medicaid, comes into play. Medicaid is a program run by the individual states along with some federal assistance and it varies considerably from one state to another. However, the common function of Medicaid is to provide assistance to those who have very few assets.

Although Medicaid will pay for long term care, there are severe restrictions on the qualifications for their assistance. First and foremost, Medicaid is a program designed to help those who are impoverished. So to qualify for long term care assistance through Medicaid **a person must spend practically all of their own assets down to the point that they have very little left** before Medicaid will begin to pick up the tab.

Medicaid is also not generally set up to provide care in a home setting. Usually the care received must be provided in a facility and that means that a person has to give up much of their independence in order to qualify. Much of the ability to control the kind of care received is also lost because the state will determine where and how the care is administered since they are the ones paying for the care.

The skyrocketing costs of long term care is placing many state Medicaid programs under extreme pressure though, and much needs to be done to help make sure that this vital program for those who have little means will be able to

continue to serve those who need it most. Unfortunately, budgets for both Medicare and Medicaid are currently being cut, and this trend is expected to continue into the foreseeable future. As a result, both state and federal governments are encouraging most Americans to take the responsibility for their own future long term care needs.

### **Why Do People Buy Long Term Care Insurance?**

There are actually several reasons why people buy LTCi and what matters most to them in the decision making process actually depends on their individual situation. Many times several factors influence their thinking, but here are some of the most common reasons that people invest in LTCi:

- ***To protect their family*** – Many people realize that if they have a family that loves them, they will be sure to be cared for somehow in the case of a prolonged illness that requires custodial care. However, they are concerned about the kind of burden that will place on their loved ones, both emotionally and financially. Especially those who have had prior experiences with being a caregiver realize how difficult it is, and they choose to do all that they can to prevent that if they have the means to do so.
- ***To protect their finances*** – Well-informed and financially savvy people understand the dangers that a long term care illness can present to their portfolio. In fact, paying for long term care costs is the single largest contributor to financial ruin in the senior population. Realizing that LTCi allows them to leverage their insurance investment (essentially buying benefits worth many times more than the


investment made) and protect their assets from disaster, they view LTCi as a necessity, not an option.



**Upon Closer Inspection:** Many think that LTCi is for those who have very little money, but actually it's for those who have income and/or assets that must be protected.

- ***To maintain independence*** – The very last thing that many people would choose to give up is their own personal independence and freedom of choice. Many understand however, that if they don't plan ahead, that is exactly what they will most likely lose if a need for long term care arises. Having LTCi provides the financial means necessary to maintain control over your care and lifestyle. This is often a major factor when single persons choose to invest in LTCi.
- ***To have more control over the quality of their care*** – In the United States no one will be turned away and refused long term care if it is truly needed, regardless of their financial situation. The program that usually makes arrangements for their care is Medicaid, a joint collaboration between federal and state governments to care for those who do not have assets enough to care for themselves. Although it is a wonderful program in many ways, the care that is provided can be of much less quality than that received by those with private funding and is most often only provided in a facility, which is exactly what most people want to avoid. Many people who have witnessed firsthand the shortcomings and frustrations of Medicaid-provided care simply choose to do all that they can to avoid such an outcome.

- **To protect their children's inheritance** – Since long term care costs are so high and rising much faster than the standard rate of inflation, many people appreciate that an extended long term care episode would essentially wipe out all the savings that they have worked so hard to obtain through the years, and leave virtually nothing for their offspring. If leaving a heritage to their family is important to them, they see LTCi as a way to make sure that the fruits of their labors are passed on to the next generation.

	<p><b>Sound Advice:</b> The greater your total household income and assets, the more sense it makes to invest in long term care insurance and avoid relying on state-funded care.</p>
---	---

### **Why Doesn't Everyone Buy Long Term Care Insurance?**

There are only a few main reasons why people choose not to buy long term care insurance after looking into it. They are:

- **Procrastination** – Since planning for the possible need for long term care is not an issue that must be dealt with immediately, but is instead planned for in advance, they tend to feel that it is something that can be bought later. As a result, the years go by and nothing is done until one day illness strikes suddenly and custodial care is needed. All of a sudden, desperate attempts are made to try to get LTCi to help offset the challenges ahead. But unfortunately, they no longer are insurable at any price and the window of opportunity is gone forever. I see this scenario played out over and over again.

- ***Lack of understanding of the risks involved*** – Oftentimes people just can't ever see the possibility that they may need custodial care in the future like so many others do. They feel relatively healthy at the moment, and so they assume that they will probably always stay that way. They reason that their parents and many relatives died early in life and/or after a brief illness in the past, so they conclude that will most likely happen to them. They do not even want to consider what would happen if that did not take place. They don't appreciate the clear evidence that humans are living much longer these days, thanks in no small part to medical advancements that let us survive illnesses that would have killed us just a few decades ago. They ignore the fact that one out of two people alive today will need some form of long term care in the future. Interestingly, many of these people faithfully pay their homeowners insurance every year to protect against a loss by fire, flood, or some other catastrophe. And yet, the chance of that happening is so much smaller than the chance of needing long term care insurance.



**Important Point:** Over **ten million people** in this country currently need long term care assistance. In contrast, how many houses do you think were destroyed this year by fire, tornado, or hurricane? Doesn't it make sense to protect your income and assets from both of these dangers?

- ***Unfamiliarity with the realities of long term care*** – Many people who do not see the need for LTCi have simply never come face to face with the brutal realities of how devastating a long term care illness can be to those around them, both emotionally and financially. This is often

true of men since they are not usually the caregivers for relatives at home. Women on the other hand, are more likely to appreciate the special challenges and hardships that prolonged care for someone else can bring. However, people of both sexes who have not ever personally been touched by a long term care illness in their immediate family tend to underestimate it's effects.

### **Who Needs Long Term Care Insurance?**

With all of the statistics that are commonly used regarding the need for long term care, it would seem at first glance that almost everyone should have long term care insurance to be adequately protected from such a serious risk.

For instance, consider the statistics mentioned above that more than half of all seniors over 65 will need some form of long term care. In addition, consider that the average cost of staying in a nursing home can run more than \$80,000 a year in many areas. Doesn't these kind of sobering facts clearly indicate that everyone should be buying long term care insurance?

Actually, the answer to that question is "not necessarily"!

There are certain situations where LTCi may not be the best choice at all. Let's discuss who should and should not be buying long term care insurance then.

A common myth is that LTCi is for those with very little money. But the truth is that those who have very low income and little savings can easily qualify for state-funded care instead, so LTCi is just not necessary. In fact , LTCi is mainly for those that have enough income or assets that they must be protected from the risk that a prolonged illness requiring custodial care could represent.



**Suggestion:** The National Association of Insurance Commissioners suggests the following guidelines for LTCi applicants: (1) retirement income should be at least \$20,000, and (2) they should have assets of at least \$30,000, not including their home and auto.

For those that have countable assets that exceed Medicaid limits, but not enough to sustain paying for a prolonged nursing home stay out of their own pocket, LTCi will most likely be a wise investment. For these folks, having to come up with \$7,000 or more each month for nursing home costs, would place a heavy drain on their savings and work a financial hardship that may be especially difficult for the community spouse. Investing in LTCi can help secure independence for these folks, and protect cherished assets for the spouse and/or children.

Then there are the small minority that have enough assets and income that they can comfortably pay for nursing home care for a 3-5 year stay and still provide for the spouse in the meantime with no hardship. This group may elect to simply forego LTCi and rely on their own savings should such a need arise.

However, many of these folks do see the wisdom of investing in LTCi, because they are able to leverage the money that they invest in such a policy to buy a much higher level of protection than would be possible by just using their own funds, and protect their estate from a serious risk at the same time.


So, as you can see, there is no one-size-fits-all solution for everyone when it comes to LTCi. But there are certain situations where investing in a good LTCi policy can be very prudent, and in other cases it may simply be an option to

consider. And for those with little income or savings to have to protect, it is not necessary at all.

### When Should You Consider Buying LTCi?

The short answer to this question is, the month before you need to make a claim!

But since none of us have a crystal ball to tell us when we will be having a stroke or heart attack, or be diagnosed with a disease such as multiple sclerosis, Parkinson's or Alzheimer's, we simply can't rely on waiting till the last minute to buy LTCi.

	<p><b>Important Point:</b> Anyone, at any age, can have an unexpected accident or change in their health that they could not possibly have foreseen that will require long term care. A couple of well-known examples of such an unexpected situation is Christopher Reeve and Michael J. Fox.</p>
--	--

In fact, almost 40% of those receiving long term care are under 65 years of age, testifying to the unpredictability of such a need arising at almost any age.

So, the best age to purchase LTCi is at the earliest age that you:

- can comfortably afford the premium.
- have enough income and/or assets to protect that it justifies the cost of the policy.

Another sound reason for getting LTCi earlier in life is that the premiums are much less and you will most likely easily qualify for coverage, perhaps even at a preferred rate that will save you considerable amounts of money throughout the life of the policy. Unfortunately, as we age, most people stand a higher risk of developing health conditions that could cause them to become uninsurable at some point, or at least drive up the cost of a good LTCi policy substantially. So the earlier you get LTCi coverage the better, in most cases.

### **Who Benefits Most From LTCi?**

Interestingly, it's usually not you. It's your family!

If you get sick and need long term care, who will provide that care? If you are married, it will probably be your wife. If you are single and have children, they will most likely feel obligated to help you and try to shoulder the responsibility in addition to their already busy schedule. You may not want them to bear this burden, but what choice will they have if you have not made other plans?



**Upon Closer Inspection:** One clear fact that has emerged from the many studies of long term care recipients over the past several years is that a large number of family caregivers that try to take on the burden eventually become almost as ill as the ones that they care for.

Quite often, the bulk of the responsibility falls on just one person and the financial, emotional, and physical toll that the role of being a constant caregiver demands often takes several years to get over, if ever.

So investing in LTCi is another way to express your love and appreciation for those that you love most. It helps make sure that there are enough funds available to avoid placing an undue burden on any one person or group of loved ones or friends. It enables you to be able to continue to enjoy their company, and they can enjoy visiting with you without having the extra pressure and stress that long term care brings with it.

## **The Five Foundational Features Of A Good LTCi Policy**

Unless you are very familiar with LTCi, many of the features and choices can seem confusing and overwhelming at first. Actually though, every LTCi policy has five foundational features that are the most important considerations that need to be made. They are:

1. In what settings will the policy pay benefits for care you receive?
2. How much will the policy pay each day that you receive care?
3. How will the policy benefits grow to keep pace with inflation?
4. How long will the policy pay out benefits for needed care?
5. How long will you have to receive care before the policy will begin to pay benefits?

Let's discuss these features one at a time.

### **1 - Policy Care Settings**

There are only three choices that need to be made here:

- Integrated
- Facility Only
- Home Healthcare Only

A facility only policy will only pay benefits for care received in a nursing home, assisted living facility or similar adult care facility. It does not pay for care received at home.

A home healthcare policy is just the opposite. It will only pay for care received at home. It will not pay for facility care.

Integrated policies will pay for care received at either home or in a facility. Most of the policies offered these days by the top insurance companies are integrated policies, and they provide the most flexibility for care scenarios that may arise.

Interestingly enough, depending on your health history, you may be able to purchase an integrated policy for about the same cost as a facility-only or home healthcare-only policy.



**Sound Advice:** An integrated policy not only offers the most flexibility of care options, it is quite often the best value as well.

## **2 - Daily Benefit**

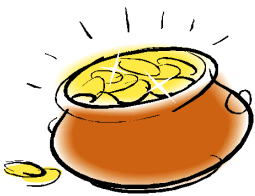
The Daily Benefit amount establishes the maximum amount that the insurance policy will pay for care on a daily basis. The higher the Daily Benefit that you choose, the higher premium you will have to pay. So here are some guidelines for choosing a Daily Benefit amount:

- Determine the cost of facility care and home healthcare in your area.

- Decide how much you wish to co-insure out of your own pocket.
- Avoid the three most common Daily Benefit mistakes.

You can easily determine a reasonable Daily Benefit amount by calling local nursing facilities and home healthcare agencies to find out what your costs for these services average locally. You can also use a reference guide published by Genworth that details the cost of both facility and home care in every state across the country. It can give you a very accurate idea of what care costs average in your particular state. You can download this guide at <http://www.duanelipham.com/costofcare.pdf>

You may also decide to co-insure a portion of the Daily Benefit, but you must be sure that you will have the necessary funds to make up the difference, and that the funds will be able to keep up with the rising costs of inflation until needed.

	<p><b>Money Saving Tip:</b> The higher Daily Benefit amount that you choose, the higher your premium. To save money it's wise to do your homework and choose an amount that accurately reflects the cost of care in your area.</p>
---	--

The three most common Daily Benefit mistakes are:

- When choosing a Daily Benefit amount, don't assume that all of your income will be able to go toward the cost of your care if you are married. Your spouse will continue to have living expenses of their own, so if you choose too low of a daily benefit, your spouse could be forced into making some very unpleasant financial decisions including

liquidating assets or making drastic lifestyle changes in order to just survive financially.

- Don't assume that you can use the benefits from a long term disability policy to help pay for your long term care. These policies are only intended to help replace lost income if you are unable to work, they are not designed to cover the cost of healthcare. Actually, LTD policies and LTCi policies work very well together, one helping replace lost income and the other paying for the costs of care, but don't expect either of them to do the job of the other.
- Don't choose too high of a Daily Benefit. Choosing an unreasonably high Daily Benefit just results in paying too much premium for extra amounts of coverage that you will most likely never use.

Most policies these days are “reimbursement policies”, which means that it pays you the actual costs of your care up to the amount of the Daily Benefit. For instance, if you have a Daily Benefit of \$200 and your care actually cost only \$150, the other fifty dollars would remain in the policy and extend the Benefit Period. In this case, if your care continued to cost only \$150 per day, the policy's Benefit Period would be extended by 25% because only  $\frac{3}{4}$  of the Daily Benefit was being used each day.

On the other hand, if your Daily Benefit was \$150 per day and your actual cost of care was \$200 instead, your policy would only pay the \$150 of the Daily Benefit and you would have to pay the extra \$50 out of your own assets.

### **3 - Inflation Benefit**

The Inflation Benefit that you choose will determine how well your policy protection keeps pace with rising inflation. This can be very important to consider carefully, especially if you are younger and may not need care for several years. There are three types of Inflation Benefit:

- No Inflation benefit
- Future Purchase Option
- Automatic Inflation Benefit

1. Having no Inflation Benefit may make sense in some circumstances, such as when the applicant is over 75 years of age, will most likely need care within only the next ten years or so, and chooses to just go with a higher Daily Benefit instead to offset inflation and keep the policy costs down. It can also be a good option even if you are at a younger age, if the policy you purchase allows you to buy more benefits later on without additional underwriting.
2. A future purchase option means that you will be given the opportunity to buy more Daily Benefit at pre-selected intervals in the future without having to prove you are still healthy. The intervals are usually every two or three years. The Daily Benefit will only increase if you accept the offer when it is extended.



**Sound Advice:** Even though an Automatic Inflation Protection Benefit costs more initially, it is the most economical way to keep your policy current with inflation in the long run.

3. The Automatic Inflation Benefit allows the Daily Benefit to automatically increase each year by a certain percentage that you choose. The most common choices are:

- 3% compound
- 5% compound
- 5% simple.

Compound growth means that if your Daily Benefit was \$200, for discussion sake, and you had chosen the 5% compound Inflation Benefit, the first year your Daily Benefit would increase by \$10 (5% of \$200), resulting in \$210 of Daily Benefit for the next year. The following year's compound inflation would result in adding \$10.50 to the Daily Benefit (5% of \$210), and it continues this same way each year.

Simple growth means that each year your Daily Benefit will grow by a set amount established by the initial Daily Benefit that you choose. For instance, if your Daily Benefit was \$200 and you chose a 5% simple Inflation benefit, every year, for the duration of the policy, the Daily Benefit would increase by the same amount, \$10 (5% of \$200).

### **Inflation Benefit Comparison Table**

	<b>5% Simple Growth</b>	<b>5% Compound Growth</b>
<b>Starting Daily Benefit</b>	<b>\$150</b>	<b>\$150</b>
After 10 Years	<b>\$225</b>	<b>\$244</b>
After 20 Years	<b>\$300</b>	<b>\$397</b>
After 30 Years	<b>\$375</b>	<b>\$648</b>

Obviously, 5% compound growth increases your overall Daily Benefit much more than simple growth over many years, especially 15-30 years. It also will more closely match the actual increase in projected healthcare costs over the next several years.

But what if you have less than a thirty year time-horizon, or perhaps feel that you will need care sooner than that?

An interesting strategy that can save money is to use a higher initial Daily Benefit to start off with, along with a 5% Simple Inflation Benefit. This can often match or even exceed the effects of 5% compound interest during the first 20 years or so, and it often costs less in premium to design the policy this way. Note the effects of this strategy in the table below.

	<b>5% Simple Growth</b>	<b>5% Compound Growth</b>
<b>Starting Daily Benefit</b>	<b>\$200</b>	<b>\$150</b>
After 10 Years	<b>\$300</b>	<b>\$244</b>
After 20 Years	<b>\$400</b>	<b>\$397</b>
After 30 Years	<b>\$500</b>	<b>\$648</b>

As you can see, the shorter your time-horizon the more sense it makes to use a Simple Inflation Benefit, and conversely the longer your time-horizon, the more sense it makes to use a Compound Inflation Benefit instead.

#### **4 - Benefit Period**

The Benefit Period is the amount of time the policy is designed to pay once you begin to receive benefits.

The most common choices are 2, 3, 4, 5, 6, 10 years and lifetime/unlimited.

The Lifetime Maximum Benefit is calculated by multiplying the Daily Benefit by the number of days in the Benefit Period. For instance, if you had a \$200 Daily Benefit and you chose a Benefit Period of 3 years, you would have a pool of money that would equal \$219,000 ( $\$200 \times 1095$  days).

Obviously, the longer Benefit Period you choose, the higher your premiums will be since the insurance company could have to pay more benefits for a longer period of time.

Most statistics show that the vast majority of long term care is needed for around three years on the average, and so the three year Benefit Period has become very popular. But remember, that is only the “average”, and some can need care much longer, especially those with cognitive disorders including Alzheimer’s.

A Lifetime Benefit Period means that the policy will have to pay benefits for as long as you live regardless of how long that may be. For instance, if you were diagnosed with Alzheimers and needed care for 30 years, the policy would have to pay benefits for that entire period of time. However, Unlimited Benefit Period policies are also the most expensive.



**Money Saving Advice:** Quite often couples can extend their coverage by sharing each other’s Benefit Period. The added cost for this option is often very reasonable.

Generally speaking, it is best to choose a Benefit Period that will be affordable after you select the Daily Benefit that is most reasonable for your area.

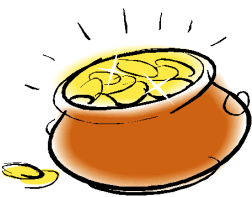
## **5 - Elimination Period**

The Elimination period is the number of days that you receive care before the policy will begin paying benefits. In many ways, it is like the deductible of LTCi policies.

Some of the most common choices for Elimination Periods are:

- 0 days
- 30 days
- 60 days
- 90 days
- 180 days
- 360 days

The longer Elimination Period that you choose, the lower premium you will have to pay, since the insurance company will have longer to wait before they start paying benefits.



**Money Saving Tip:** Combining a 90 day Elimination Period for facility care with a zero day Elimination Period for home care can be an economical choice since most care begins at home anyway.

In general, it is wise to choose the lowest Elimination Period that you can afford after setting the Daily Benefit and Benefit Period of the LTCi policy. Just keep in mind that whatever costs for care that you receive during the Elimination Period will have to come out of your own pocket, and you will need to have these funds readily available should that need arise.

### **Ways To Reduce The Cost Of LTCi**

There are several ways to manage the selection of LTCi benefits to reduce costs, but here are a few common choices:

1. Reduce the Benefit Period. By reducing the Benefit Period by just one year, you can usually make a significant difference in the LTCi premium. It is much better to reduce the length of coverage than the Daily Benefit amount if you do not have enough funds to make up the difference in the true daily cost of care.
2. If you are able to co-insure a portion of the Daily Benefit, you may choose to select a lower initial benefit amount. **Caution:** only do this if you are sure that you will have sufficient available funds to make up the difference between the actual cost of daily care and the lower Daily Benefit that you have chosen.
3. If you are age 75 or more, you may choose to dispense with the Inflation Benefit protection since your need for care will most likely arise in just the next ten years or so. You could choose instead a higher initial Daily Benefit to offset the effects of inflation during that period.

4. A couple can often buy access to more coverage by sharing their Benefit Periods. In other words, if a couple both have a three-year Benefit Period, and one uses up their benefits, they would then be able to borrow from their spouse's Benefit Period. Depending on the policy, this can be an economical alternative to buying more years of coverage for both of them.
  
5. Increasing the Elimination Period for facility care and choosing a zero day Elimination Period for home healthcare can be a money-saving strategy as most long term care begins at home anyway. Also, the amount of days that you receive home care while the policy is paying for it counts toward the Elimination Period for a facility, and so most people will fulfill the facility care Elimination Period easily while at home. This means that the policy will wind up paying for all of their care with no out-of-pocket expenses on their own.
  
6. Some policies will pay benefits for care that is provided by a relative or friend which can be less expensive than employing home healthcare aides, especially for domestic chores. If this is important to you, then you will need to choose a policy that allows for that.
  
7. If you choose a policy that lets you increase your coverage later on to keep pace with inflation without additional underwriting, you may wish to start out with a basic policy and add more coverage later on.



**Money Saving Advice:** There are many strategies to help individuals save money on their long term care costs with a LTCi policy. Let's talk about your particular situation and see what will be best for you.

## **Group vs Individual LTCi policies**

Since buying group medical insurance is usually a way to get better insurance rates, most people automatically assume that the same is true with LTCi policies.


However, in most cases individual LTCi policies will be able to offer not only lower premiums, but also better benefits if they are examined in a true “apples to apples” comparison.

Group LTCi can be a good answer for those who have severe health problems as they may be able to qualify under the “simplified” underwriting procedures. But the same lenient qualifications also drive up the cost of the coverage for everyone else in the group. That is why most individual LTCi policies actually cost less because the underwriting procedures in use effectively screens out most of those costly severe health cases.

Individual LTCi policies are also usually more feature rich. They often include features and benefits that are missing from group policies. Some of the common features that may be missing or diminished in group LTCi policies include:

- A Lifetime/Unlimited Benefit Period
- Automatic Inflation Benefit – Many group policies mask their higher costs by only offering a Future Purchase Option Inflation Benefit that is much more expensive over the life of the policy.
- 100% Home Healthcare coverage – Some group policies only pay for half of the Daily Benefit if it is used in home healthcare or an assisted living facility as another way to lower costs.

- Preferred health and couples/partners discounts – These kind of discounted options are rarely found in group policies.

 An illustration of a man in a blue suit watering a tree with a yellow watering can. The tree is green and has several dollar signs (\$) on its branches, symbolizing money or savings.	<p><b>Money Saving Advice:</b> If you are healthy, you will most likely be able to get better benefits for less premium with an individual LTCi policy than with a group policy.</p>
--	--

### Which Insurance Company Should I Choose?

Choosing the right insurance company for your LTCi policy is a very important step, and there are several top quality companies that have proven track records in the field of long term care.

The truth is that every company has their own proprietary method of determining policy features, premiums, and health issue qualifications.

Some policies cost 10% - 50% more if you are taking blood pressure medications. Others don't.

Some policies are very strict about rating overweight folks. Others aren't so strict.

Some companies charge up to 35% more for someone who has used tobacco. Others are much more lenient in this area.



**Sound Advice:** There is a great difference in LTCi policies from one company to the next, especially depending on your health history and habits. That is why it's best to find the company that is best for your particular situation and not to view LTCi as just a cookie-cutter commodity.

This is also why it is such a good idea to have a clear idea of what LTCi policy foundational features are most important to you BEFORE you go shopping, since you will be able to make a better “apples to apples” comparison between companies if you do.

You should also certainly look for a company that is rated very highly with regard to it's financial future. Most financially stable and healthy insurance companies will have at least an “A” rating by the major insurance ratings services such as A. M. Best, Standard & Poors, and others, and they would therefore be considered a solid candidate for your business.



**Money Saving Advice:** One of the big advantages that I am able to bring to my clients is offering a choice of policies from several of the top-rated LTCi companies, enabling them to get the best coverage for their particular situation at the very best price. Agents who only represent one company will rarely be able to offer the best plan available for each person's unique needs.

## **Other Policy Features**

There are several other ancillary features that are available in most LTCi policies that are often included at no extra cost. These include:

- Caregiver Training
- Respite Care
- Home Modification
- Durable Medical Equipment
- Bed Reservation Benefit
- Contingent Nonforfeiture
- and much more


I have deliberately not covered those extra “Tailored Features” in this tutorial simply because I see too many folks get bogged down in trying to understand all of those minor features, and actually spending more effort and time on them rather than focusing on the Foundational Features that are the most important to know and understand.

There are also many options or riders that are available in LTCi policies that you have to pay extra for. All of them can be useful at times, but for the vast majority of people, some are more useful and cost effective than others.

### **Some Options That Are Often Cost Effective**

- Waiver of Home Healthcare Elimination Period
- Shared Care Benefits
- Accelerated Pay Options for business owners

Remember this booklet is called “Bringing Simplicity To Long Term Care”, and spending too much time on relatively minor features of LTCi policies would be counter-productive for most people. When we discuss your unique needs and situation, I can help you decide on what secondary features or options will be best for you. But in the meantime, just don’t get bogged down by them!

	<p><b>Important Point:</b> How do I help you choose the best LTCi policy for your needs? Well, I never make my recommendation based on price alone. Instead, I look for <b>VALUE!</b> The cost of a policy is a major consideration, but there are many other factors that are also important in many cases.</p>
---	--

That means that I am committed to finding the best Foundational Features, from a highly rated insurer, at a reasonable cost, that meets the particular health needs of each individual client.

That usually makes for more work on my part to research and find the best candidates for your unique situation, but it also means that you will get a much better policy that you will be happy with for many years to come. **And your satisfaction is the measure of my success!**

### **Why Choose A CLTC Professional?**

It is always sound advice to deal with those who have made a commitment to their profession. They do this by joining organizations that offer continuing

education and forums to discuss trends in their profession. The key is to find the right professional for your needs. In the field of long term care planning, it is generally accepted that those who have received the “Certified in Long Term Care” designation (CLTC), have the skills necessary to help you put a plan together.

- **What Does CLTC Stand For?**

CLTC stands for “Certified in Long Term Care”, a designation granted by the CLTC Board of Standards, Inc. The program is financially and editorially independent of the long term care insurance industry. Graduates have completed a rigorous multidisciplinary course that focuses on the profession of long term care, not the selling of long term care products. The program is recognized by state regulators through the granting of continuing education credits in recognition of providing essential information in the field of long term care planning. The designation is also approved by the American Council on Education, the country’s largest coordinating body for higher education advocacy. The “CLTC” designation is affiliated and endorsed by the College for Financial Planning, the company that created the financial planning industry’s most prestigious program, Certified Financial Planner.

- **Why Choose An Individual With A CLTC Designation?**

CLTC professionals know how to ask the right questions, which they use to craft a plan to protect your family and retirement portfolio from the risks associated with needing care. They are trained to work in partnership with your lawyer, CPA, or insurance professional to develop that plan. If appropriate, long term care insurance is suggested as a method to pay for the care the plan calls for. Done correctly, your family’s emotional and physical wellbeing as well as your retirement portfolio is protected.

Receiving the training necessary to have the CLTC designation is an important milestone, but the issues facing all of us regarding long term care are constantly evolving. That is why I am always keeping up with the latest developments in this field. I write about long term care challenges and issues all the time and many of my articles are syndicated and used by others as well. As my client you will be able to stay up-to-date with the latest important information because I will keep you informed all along the way.

### **What Is Your Next Step?**

My goal is to help make the process of shopping and choosing the best LTCi policy for your needs as simple and easy as possible. So here is how we can work together to accomplish that goal:

1. I will need a complete picture of your health profile and foundational policy design features so that I can provide you with the most accurate quotes possible on the first try. You can provide this information by either (1) a telephone call with me in person, (2) filling out the LTC quote request form on my website at [duanelipham.com](http://duanelipham.com) , (3) answering the questions that I send by email, (4) or filling out the form included with my postal mail information package and faxing it to 602-294-2372. Whatever is most convenient for you will work just fine.
2. I will go to work right away on finding the best companies that will most closely match your needs and situation. After doing my research, I will send you the quotes from 6 – 9 different LTCi carriers so that you can conveniently shop and compare them whenever you like at home. Usually I can have these quotes available to you within 24 – 48 hours after receiving your health and policy design information.

3. We can then schedule a phone call so that I can explain my policy recommendations to you, and help answer any additional questions that you may have. The main goal is to help you completely understand the choices that are available to you and feel comfortable with the selection process.
  
4. When you decide on the policy that you feel will fit your particular situation best, I can take down the information needed to complete the appropriate application for that company by phone, and then send the paperwork to you by Priority Mail. You can review it all to make sure that the information is correct and then sign and date the application. At that point you can put all of the paperwork into a pre-addressed and prepaid envelope to send it, along with the first month's premium, directly to the insurance company. You do not need to send any money to me at all.



**Important Point:** There is no extra cost for a LTCi policy whether you apply with an insurance agent or directly with the company. There is no cost to you then for my recommendations, policy comparisons, and assistance throughout the process.

5. I will keep you updated regularly throughout the underwriting and approval process so that you know how the progress is going. Once the policy is approved and you receive it, you have a 30-day “free look” period to make sure that it is what you want. We can also schedule a phone call during this period to review the policy again and answer any

lingering questions that you may have. If you want to make changes in your benefits we can do so during this 30-day period. If you decide for any reason that the policy will not work for you during this period, you can cancel the policy and get a full refund of the deposit that you sent to the insurance company. If you are happy with the policy, you simply keep it in a safe and accessible place, and continue to send the monthly, quarterly, semi-annual, or annual premiums to the insurance company. At no time do you need to mail a check to me.

### **Conclusion**

I hope this guidebook has been a benefit to you in helping you learn more about how to effectively and economically design a LTCi policy that will best fit your needs. I am always available for consultation personally though. I look forward to working together with you to help craft a long term care plan that can produce peace of mind for many years to come.

Here is how you can get in touch with me:

Mailing Address:

20280 N. 59<sup>th</sup> Ave. #115

Glendale AZ 85308

Email: [admin@duanelipham.com](mailto:admin@duanelipham.com)

Website: [duanelipham.com](http://duanelipham.com)

Toll-free Phone: 1-877-792-7192

Fax: 602-294-2372