

Why long-term-care insurance makes sense for many

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By Teresa McUsic

Long-term care is likely to be the biggest hit to your retirement, but few are willing to face those costs head-on and plan for them.

"The majority of people that will need the care don't have [coverage] for an extended period," said Burk Rosenthal, a certified planner with Rosenthal Retirement Planning in Fort Worth. "But if they don't have it and come to need it, it can be devastating to them financially."

Rosenthal, who added in-house long-term-insurance planning to his practice six months ago, said convincing his clients of the need is an uphill battle.

"Eight out of 10 of my clients are thinking about it and will continue to think about it until they need it," he said. "Then it's too late."

About 70 percent of people over 65 will require some type of long-term care in their lifetime. Of those, more than 40 percent will need care in a skilled nursing home, according to OwnYourFutureTexas.org, the website of the Texas Long-Term Care Partnership.

The Legislature created the group in 2007 to encourage Texans to buy long-term-care policies by allowing them to protect some of their assets.

A national survey by MoneyRates.com found that most Americans badly underestimate the cost of skilled nursing care and are neglecting to save for it.

Forty percent of survey respondents have set aside nothing for elder care, according to the survey, and two-thirds have saved less than \$75,000.

"This isn't how anyone wants to spend their money," said Steve Blankenship, a certified planner with Heritage Financial, which has offices in Southlake and Grapevine. "But there is no cheap way out of this. Whether you stay at home or move, if you need care, it's certainly going to cost."

The first thing planners recommend is to try to obtain long-term-care insurance through your company before retirement.

"It's usually more affordable, but you may lose it when you leave or go into retirement," Blankenship said. "Some companies allow it, so find out first if yours does."

If you are buying long-term-care insurance on the private market, get at least three quotes, Rosenthal said.

"There are still big players out there offering it — Hancock, Genworth, TransAmerica," he said. "And most private plans rarely see their premiums go up."

The insurance has a number of options that can have a big effect on monthly premiums, Rosenthal said. According to the Texas Department of Insurance website, an annual premium for a 60-year-old to get a \$100 daily benefit was \$655. But premiums could reach \$3,000 to \$4,000 a year, depending on the applicant's age.

"Long-term-care insurance is like a pizza. You can get plain cheese or one with all the bells and whistles," he said.

Whether you need the insurance depends on your assets, Rosenthal said.

If you have more than \$5 million in assets, you will likely be able to afford long-term care out of pocket. If you don't have much wealth, you can qualify for Medicaid, which will pay long-term-care costs. But you'll be limited to which facilities accept you, and you will likely have to share a room.

People in between should consider insurance, Rosenthal said, particularly because of the state partnership program that will protect your assets if you buy it.

Texas, along with most states, began allowing long-term plans to include an "asset disregard benefit" after state legislation created the partnerships. Those who buy a partnership plan can protect assets equal to the insurance benefit received. Those assets will not be taken into account in Medicaid considerations, in the event that the insurance plan's time limit expires.

For example, if consumers with \$100,000 in assets bought a long-term-care policy with \$100,000 in benefits, the state would not consider those assets in determining Medicaid qualification after they use up the benefits in the policy, which typically last three to five years.

But the number of insurers in the state program has dropped from 13 in 2011 to eight. Still, major companies, including Genworth, John Hancock and Mutual of Omaha, still have policies that work with the state program.

Other companies working outside the partnership, like Pacific Life, are adding a long-term-care rider to a life insurance policy, Rosenthal said. The Pacific Life policy requires a lump-sum premium of \$100,000 that can be returned in full if you change your mind, he said.

Bottom line: Awareness of the cost of long-term care is an important step in planning, the advisers said.

"You can't ignore it," Blankenship said. "Not knowing it is not going to make it go away."

For a good calculator on the costs of long-term care, go to Genworth's website, www.longtermcareinsurance.org.

Teresa McUsic's column appears Saturdays. TMcUsic@SavvyConsumer.net

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