

A Long-term Care Insurance Primer

As millions of Baby Boomers head into their retirement years, it's surprising how few actually know that the government provides little more than a few weeks of financial support for home-based or nursing home care when the average person needs it for at least a year.

A 2006 Genworth Financial Survey says the national average private room rate at a nursing home – the most expensive care option – was \$194.28 per day/\$70,912 annually.

Long-term care insurance (LTC) may be one solution for those who need to bridge the gap between their savings and the actual costs they'll face.

Determining and paying for long-term care is almost too complex a topic to be covered in a short article like this, which is why it makes sense to discuss your individual situation with a CERTIFIED FINANCIAL PLANNER™ professional. Here are some of the questions you need to answer before investing in long-term care insurance or other options:

What resources do you have? We're not just talking about money here. While care giving puts a strain on family, it's important to consider whether family and friends are truly willing and able to help with your care, which can provide a considerable financial and emotional benefit. Also, if you live in a community with reliable volunteer resources to help, that's something to note, though today's services may not be there tomorrow.

How old are you and your spouse and what's your health history? People in good health purchasing long-term care insurance at the age of 55 usually get the most affordable deal in LTC insurance. But an individual's family health history and current health status are the real determinants of what your LTC insurance policy will cost – or if you'll qualify for coverage at all. Also, it's important to note that 40 percent of long-term care is provided to individuals between the ages of 19 and 65, so the need for care can strike at any time.

Are you a single female? Again, personal and family resources come into play here, but since women typically live longer than men – and they still earn less on average than men – women should take a heightened interest in providing for their long-term care safety net. Long-term care insurance might be a good solution given their other investments and their health history.

What types of services are covered? Over the course of time, long-term care policies have evolved to place more emphasis on home-based care or assisted living, since most people would choose to recover or live out their last days in a familiar environment. A basic LTC insurance policy pays for assistance with activities of daily living including eating, dressing, bathing, toileting, incontinence, and transferring (bed to chair, etc.). Each policy lists the types of services that are covered under nursing home care and under home health care. Homemaker services are generally covered and other services as listed in the policy.

What triggers coverage? A qualified LTC policy won't go into effect until the covered individual can't perform two tasks of daily living for a period, typically 90 days, or when that person needs substantial supervision related to cognitive impairment. This is where you have to read the fine print since some policies are more restrictive than others. More affordable policies generally take longer to kick in. See if coverage for other physical ailments is available as part of the policy and what per-diem or monthly allowances are offered.

What if I never want to go to a nursing home? The idea is to cover every eventuality. The best-designed LTC policies will pay the same amount of benefit whether care is received in a long-term care facility, an assisted living facility, an adult day care center, or in the home. Some policies do offer reduced percentages for home health care versus nursing home care, but it's a better idea to keep full percentages on home health care benefits since most people would rather stay in their homes.

What's the record of particular companies in this business? Over the past generation, more companies have gotten involved in the LTC insurance business, and it makes sense to see not only who the leaders are at the time you're buying and what they're offering, but how financially healthy these companies are and have been over the course of time. You've probably heard of insurance companies that have gone out of business and stranded customers. There's no restriction on that happening with LTC providers, so check their ratings and financial history very carefully.

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