GUIDE TO LONG-TERM CARE INSURANCE

LPL Financial

The greatest gift of long-term care insurance is that it allows loved ones to supervise your care rather than have to provide it themselves.

WHAT IS LONG-TERM CARE?

Long-Term Care (LTC) goes beyond medical care to include all the assistance you need if you ever have a chronic illness[1] or disability that leaves you unable to care for yourself for an extended period of time (longer than 90 days). While older people generally require the most long-term care services, a young or middle-aged person who has suffered a debilitating illness or accident may also require care.

You may require long-term care due to:

- Dementia/Alzheimer's
- Stroke
- Complications with diabetes
- Other chronic conditions

[1]You're considered chronically ill if it's expected that you'll be unable to do at least two activities of daily living without substantial assistance from another person for at least 90 days. Another way you may be considered chronically ill is if you need substantial supervision to protect your health and safety because you have a cognitive impairment.

WHERE CAN YOU RECEIVE CARE?

- At home
- Assisted living facilities
- Community facilities offering services
- Skilled nursing facilities

WHAT IS YOUR PLAN SHOULD YOU NEED CARE?

By allocating nothing for long-term care, you could be risking your retirement assets. With the help of your family and your financial professional, you can create a written plan that ensures care for yourself today and in the future. Things you should consider:

- **Who would you want to care for you?** Your children, your spouse, a qualified professional? How would this affect the lives of your loved ones?
- **Where would you like to receive care?** Your home, an assisted living facility, a community center, a nursing facility, your child's home?
- **How will you pay for your care?** With your own assets? If so, which asset would you use first? Are they in taxable accounts? Are the assets liquid? Would you use a long-term care insurance policy?

It's important to have a clearly written plan so there's no confusion if you need long-term care. Sit down with your family and financial professional and write out your plan today.

Why is planning important?

The need for long-term care puts an enormous emotional and physical strain on your loved ones and family members. By planning ahead, you can help reduce their burden. Also, as you age, your health may change, which could make it difficult to get coverage. That's why it's important to start planning now while you have the most options.

Would private healthcare insurance, Medicare, or Medicaid cover these costs?

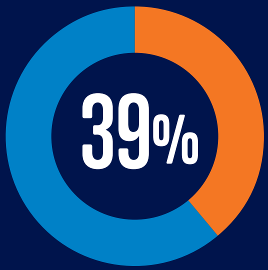
Healthcare insurance, including Medicare, pays for skilled or rehabilitative services only, and it doesn't cover custodial care. Medicare may cover a portion of the first 100 days of care received at a nursing facility if specific program requirements are met. After the first 100 days, you'll have to cover your own costs.

Medicaid is the joint federal and state welfare program for those with low incomes and limited financial resources. Eligibility restrictions, such as gifting money to loved ones, transferring assets into trusts, and creating promissory notes, make it increasingly difficult to qualify for this program.

Funding your long-term care plan

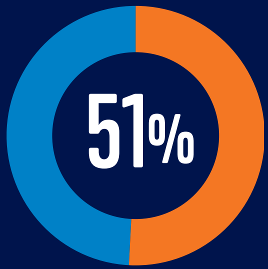
- **Traditional LTC insurance:** These policies offer flexibility in benefits to help you design a plan that addresses your specific needs. It also may limit out-of-pocket expenses. Good health and partner discounts help reduce the cost of these premiums. Traditional LTC insurance policies may qualify for your state's Partnership Program, which means that every dollar in benefits paid from a long-term care policy will allow you to protect a dollar of your assets should you ever need to qualify for Medicaid. Please consult with your financial professional on how the Partnership Program may benefit you. Traditional LTC products are typically paid via annual premiums, which are not guaranteed to stay level. Carriers can increase premiums with state approval.
- **Life insurance with LTC riders:** Many insurance carriers are now offering a long-term care rider that acts as an added benefit to a permanent life insurance product. This type of policy is advantageous for those clients who are primarily looking for life insurance because it actually secures two forms of insurance in one package. Long-term care riders come at a cost and allow you to use a percentage of your death benefit should you require long-term care instead.
- **Combination products with long-term care benefits:** These products, also known as hybrids or linked-benefit products, may be an appropriate option to self-insure. They offer a simplified underwriting process using either a life insurance or annuity policy to create the tax-fee LTC benefit. Most can be paid in either a single or ongoing premium, sometimes up to 10 years. In the event you do not require long-term care, a beneficiary of your choice receives the proceeds: an income-tax-free life insurance death benefit or taxable annuity proceeds. Such products may also include a return of premium provision, perhaps at an added cost, that returns some or all of the premiums paid if the policy is canceled. At any time, you can request a return of premium upon full surrender of the policy. The amount received will be adjusted for the length of time the policy was in force, as well as any benefits paid or loans/withdrawals made. Note that surrender of the policy may have tax implications.

THE CAREGIVERS



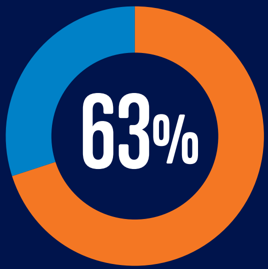
39% of caregivers provide financial assistance to their loved ones who need care.

Genworth, Beyond Dollars Survey 2018.



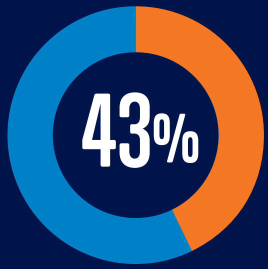
51% percent of caregivers said the long-term care event negatively affected their health and well-being.

Genworth, Beyond Dollars Survey 2021.



Nearly 63% of those whose loved ones did not have long-term care insurance felt those loved ones would have benefited from it.

Genworth, Beyond Dollars Survey 2021.



43% of partnered caregivers said caregiving negatively impacted their relationship with their partner.

THE NATION'S LONG-TERM CARE INSURERS PAID OUT $12.3 BILLION IN CLAIMS IN 2021– A $700 MILLION INCREASE FROM 2020.

American Association for Long-Term Care Insurance, 2022, www.aaltci.org

WHAT ARE THE NEXT STEPS?

- Have a conversation with your family about your objectives.
- Speak with your financial professional.
- Create a written plan of care.
- Find out what coverage costs in your area.
- See if you can medically qualify for insurance coverage.

Educational resources available to you

- **LongTermCare.gov:** http://longtermcare.gov
- **Long-Term Care Insurance 101:** http://www.lifehappens.org/insurance-overview/long-term-care-insurance/
- **Long Term Care:** http://www.kiplinger.com/fronts/special-report/long-term-care-insurance/
- **A Shopper's Guide to Long-Term Care Insurance:** https://content.naic.org/sites/default/files/publication-ltc-lp-shoppers-guide-long-term.pdf
- **Cost of Care Survey:** www.genworth.com/CostofCare

Warren Ludford, MBA, CFP®
Financial Advisor
Registered Principal
3220 Croft Drive
Saint Anthony, MN 55418
612-220-2283 Office
612-400-9985 Mobile
warren.ludford@lpl.com
www.warrenludford.com

LPL Financial