



A MOMENT OF CLARITY

Long-Term Care Insurance

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On average, an American turning 65 today will incur \$138,000 in future long-term care costs.¹ One in seven adults will have a disability for more than five years, and the median annual cost of nursing home care in the US is \$100,375.² Given these statistics, a sound retirement plan should address these costs and factor in how they will be covered. One solution for this may be buying a long-term care insurance policy.

The Purpose of Long-Term Care Insurance

The purpose of a long-term care insurance policy is to help cover the costs associated with nursing-home care, home-health care, and/or personal or adult day care, specifically for an individual who is over the age of 65 or who has a chronic or disabling condition that needs constant supervision. Long-term care policy benefits become payable when the policy holder meets certain “benefit triggers.” Usually the benefits become payable when at least two activities of daily living are impacted. Activities of daily living are defined as the basic self-care skills required to care for oneself in the areas of eating, dressing, bathing, toileting, continence and mobility.

Key Policy Features

The key features to evaluate for a long-term care policy are the following:

- 1 Daily benefit amount** – the maximum amount the policy will pay out per day.
- 2 Benefit pool** – the total amount of benefits the policy will pay out.
- 3 Inflation rate** (if any) – the rate at which the daily benefits will increase on an annual basis.
- 4 Waiting period** – how long the policy owner needs to wait to start receiving benefits from the date of the “benefit trigger.”
- 5 Indemnity or reimbursement benefits** – Indemnity pays an amount equal to the maximum daily benefit, and reimbursement benefits only pays the policy owner back what they have spent up to the maximum daily amount.

¹ Department of Health and Human Services
(<https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>)

² Genworth – prices are for a private room (<https://www.genworth.com/aging-and-you/finances/cost-of-care.html>)

Types of Insurance

There are several types of long-term care policies available, but the main two options are:

- 1 **Traditional** – which provides benefits solely to cover long-term care costs, or
- 2 **Hybrid** – which is a policy that combines traditional long-term care coverage with life insurance.

Policies are priced mainly by the amount of the daily coverage they provide, total benefit pool, term of years and any inflation options. Typically, premiums for a traditional policy are about 2-3 times less than a hybrid policy, making these policies easier to afford and maintain. However, the hybrid policy may be a viable option for someone who doesn't like the "use it or lose it" premiums for the traditional policy.

Tips for Obtaining a Policy

If you are planning to buy a long-term care insurance policy, you should do so early (50-60 years of age) as the policy premiums rise aggressively with age. Additionally, consider finding an insurance broker who works with several insurance companies, as opposed to a single insurer, in order to find the policy that best suits your needs. Finally, remember to request a full copy of the policy/contract prior to signing up and leverage the knowledge of a professional advisor (outside of the insurance agent) to help you review the policy.

There are many variables to consider when planning for how you will cover any long-term care needs you or your spouse may have. Make sure that you start this process early, review all the available options and leverage the knowledge of an unbiased financial professional. The Wealth Advisors at Round Table are here to help you navigate the options and construct a plan that best addresses your specific needs.



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