

What is long-term care?

- Long-term care is someone needs assistance to perform basic everyday tasks which is called “activities of daily living” or needs supervision due to a cognitive impairment for at least 90 days.

What is long-term care insurance?

- Long term care insurance is an insurance product that helps reduce or eliminate the cost of someone caring for us and helps pay for caring facilities, such as adult day care centers, nursing homes, special care facilities, etc.

- Long-term care insurance is different from health insurance, Medicare, and Medicaid.

How much does long-term care cost?

- The cost of long-term care will depend on where we live and how we want to receive care. Nursing homes have both private room rates and shared-room rates.

- Assisted living on average costs about \$6,000/mo.

- I have a neighbor that pays \$10,000 a month out of her pocket for a nurse to take care of her husband at home. They don't have long-term care insurance because they thought they would never need it. By the time her husband needed care, it was too late to buy long-term care insurance because he is uninsurable.

How much does long-term care insurance cost?

- The price could range from \$100 a month to \$400 a month.

- A professional can design a policy to fit within your budget. That's the easy part. Of course, you have to “health-qualify” for a policy.

Here are options when we need care

- We can ask our family members to take care of us.

- Use our current money to pay for someone to take care of us. Then when we run out of money, we can sell all our assets to pay for care.

- Medicare provides some benefits for long-term care but it's very restrictive. Medicare covers only a maximum of 100 days of skilled nursing care, and only the first 20 days are covered at 100%. And we have to qualify for Medicare. We must be at least age 65 to qualify for benefits.

- Medicaid is designed for people who have spent down their assets on long-term care. The biggest challenge is being able to qualify for Medicaid.

- Lastly, we can buy insurance product(s) to pay for long-term care.

Types of insurance products that can pay for long-term care services

- Traditional long-term care insurance policy. When we begin receiving benefits, we no longer pay the premiums. If we pass away or cancel the policy before we need long-term care, we lose the premiums paid.

- A hybrid policy is a combination of either life insurance or an annuity and long-term care insurance. If we pass away without using the LTC benefits, the life insurance company will give the death benefit to our beneficiaries.

3 main reasons why people buy long-term care insurance policies

- Avoid being a burden to family members.
- Protect their assets they have worked so hard to accumulate.
- Don't have to worry about taxes they could have avoided. What I mean by this is, if you buy a long-term care insurance policy and you qualified for long-term care, the insurance company will payout. If you are self-insured, you might have to sell your assets to pay for care. If you sell your house, anything above the exemption is taxable. If you have to withdraw from your retirement accounts to pay for care, money out of pre-tax accounts such as a 401(k), is taxable at ordinary income tax rates.

Questions to ask yourself

1. What is my long-term care plan?
2. If I cannot take care of myself, who will take care of me?
3. What difficulties will that person experience in having to step into this new role?
4. What is my total net worth?
5. Should I use my current assets and/or buy long-term care insurance?

6 important steps in selecting a long-term care insurance policy

1. Financial ratings. We like working with A rated companies.
2. Medical underwriting. Understanding your current health can help us decide which company to apply with because some companies are better than others depending on your health conditions.
3. Discounts. Some companies offer discounts when two qualified people apply for coverage.
4. Premiums. You want to make sure the premium fit within your budget.
5. Coverages. Tailoring the coverages you would want if you qualified for long-term care in the future.
6. Coverage exclusions and restrictions. Truly understand the policy and take personal notes that you can understand when you review the policy in the future.

Next steps

If you would like to receive your personalized quote, contact:

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