

Money and You: Is LTC insurance a good idea?

by *Carrie_Schwab_Pomerantz*

At a party over the holidays, a woman I've known forever asked me about long-term care insurance. She and her husband were starting to think about retirement and its more unpleasant partner: old age. Specifically, she wanted to know if LTC insurance was a good idea. My answer, as is so often the case with personal financial issues, was "it depends."

As I'll explain, chances are you're going to need some form of custodial care during your lifetime. For many people, LTC insurance can be a good way to mitigate the high costs that go along with it. What factors should you consider?

WHAT IS LONG-TERM CARE?

Long-term care refers to help with what insurers call the "activities of daily living" - bathing, dressing, eating, and moving - associated with injuries, strokes and mental deterioration like Alzheimer's disease. Actually, the phrase "long-term care" may be a bit of a misnomer. Someone with a broken hip, for example, may need this type of assistance for just a few months. Obviously, for short and simple problems, a family member can often provide the required care (though that often results in an onerous burden). More serious and lengthy issues require someone to come in every day, or care in a nursing home or an assisted-living facility.

WILL YOU NEED LONG-TERM CARE?

Statistically, the answer is yes. You will probably need this type of assistance. Despite the many health problems in America, collectively, we're living longer, and that clearly increases the probability. In fact, according to the U.S. Department of Health and Human Services, at least 60 percent of people over age 65 will require some long-term care services at some point in their lives.

However, the statistical probability that you'll need this type of care doesn't mean you need LTC insurance. If you're quite wealthy, you can effectively self-insure. Others may have children who can help either physically or financially. And finally, if you're needy, you may qualify for Medicaid assistance.

The nightmare scenario occurs when one spouse's medical needs wipe out the family's financial assets, reducing the healthy spouse to poverty and, potentially, the arduous task of being the caregiver. Note that women tend to be healthier than their husbands, which means two things. First, they often become the caregiver; second, if long-term care seriously depletes the family's financial resources, they're the ones in jeopardy.

WHAT DOES LTC COST?

Long-term care, particularly if required for a truly long time, from many months to years, can be expensive. Home care services range from \$10,000 to \$50,000 per year today. Nursing home care is, as you would expect, even more expensive: the average annual cost is more than \$75,000. All those figures, of course, will rise in the years ahead.

If you're extremely wealthy, those figures won't bother you. And if you're extremely needy, your LTC bills will probably be covered by your state's version of Medicaid. But for the vast number of people in between, the cost of long-term care can quickly eat through assets and put their financial security at risk. These are the folks who should consider LTC insurance; most health insurance policies and Medicare do not cover this type of care. It's not cheap, but it may be worth it, especially if you purchase it when you're relatively young.

According to the American Association for Homes and Services for the Aging, the average annual long-term care premium for people under the age of 65 is \$1,337. But for people over 65, the average annual premium more than doubles to \$2,862.

HOW TO BUY IT

If you decide to purchase LTC insurance, you'll really need to shop around. First, LTC insurance premiums vary widely, so do some research to help you gauge costs. As the average costs I mentioned above suggest, the earlier you buy it, the cheaper it's likely to be (although you will of course be paying premiums for a longer period of time). But cost isn't the only consideration: It may not even be the prime consideration. You'll need to understand the coverage itself - does it cover in-home care? nursing home care? or both?; the benefit itself - how much will the policy pay you? how long will it last?; the waiting period, if any, before benefits kick in; and the policy's inflation protection - health care costs typically rise faster than the general rate of inflation.

A good agent who is truly representing your interests, not the insurance company's, will be a tremendous help. That makes it worth your time to find an agent you can trust. Your state's department of insurance can be a big help. Make sure you understand the terms and conditions of your policy.

CLOSING THOUGHTS

Like most financial decisions, you have to weigh the costs and the benefits to make a truly informed decision about long-term care insurance. Don't forget the benefits that are hard to quantify. You may really value the

peace of mind that comes with having a good LTC insurance policy; the fact that LTC insurance could greatly alleviate the burden of the healthy spouse or other family members.

Finally, while you're thinking about long-term care, think about the issues associated with getting older - ensuring that your last will and testament is up-to-date, establishing power of attorney with someone you can trust if you or your spouse become incapacitated, and creating an estate plan that reflects your wishes. Put your plans in writing and share them with your spouse and your children. None of these issues are particularly pleasant to think about, but making decisions now will make life much easier down the road.

A good source of information regarding LTC insurance options is the "Shoppers Guide to Long-Term Care Insurance" available through the National Association of Insurance Commissioners.

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