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# The Retirement Insider

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## Will Long-Term Care Insurance Gain Status Among Retirees?



Government officials, the insurance industry and a bevy of financial experts are touting the benefits of long-term care planning to aging baby boomers who may be blessed with increasing longevity, but cursed with potentially exorbitant health care expenses.

Long-term care (LTC) is one of the greatest unplanned expenses that many retirees face. The average cost of annual nursing home care today is about \$50,000 and is expected to swell to well over \$100,000 in just 15 years, according to a National Institute on Aging study. While Medicare covers a limited amount of skilled care, it leaves most of the cost up to the individual. Estimates vary, but experts suggest out-of-pocket lifetime medical expenses will cost an average individual \$200,000 to \$300,000. An illness such as Alzheimer's or diabetes, or recovery from injury or surgery requiring lengthy nursing or in-home care can easily throw a solid retirement plan into a tailspin. Yet, a Genworth Financial, USA report found that 65 percent of Americans have made no LTC plans for themselves or their spouses.

"People are aware that they need to do something about potential [health care expenses], says Jesse Slome, executive director of the American Association for Long-Term Care Insurance. "What they don't know is what to do or how to go about it."

One potential solution is LTC insurance. Yet, as 77 million baby boomers head into retirement Slome estimates that only 8 million Americans now own protection. So, where's the disconnect?

LTC insurance has been slow to take off because people—especially financial advisors—do not fully understand policies and consider it an investment. "But it's insurance; you spend pennies to protect dollars, and that hasn't sunk in yet," says Slome. In fact, a 2007 Fidelity Investments study found that while investors want to discuss health care options, less than 25 percent describe their advisor as having excellent knowledge of long-term care.

### A Wait-and-See Attitude is Costly

Some people take the Scarlett O'Hara approach and say they'll worry about it tomorrow. Unfortunately, purchasing a policy in your 70s or 80s is like buying flood insurance after a hurricane. The cost increases dramatically and it's harder to meet the required health qualifications. Purchasing policies earlier in life, taking advantage of discounts for good health, adding deductibles and paying on an annual basis make policies more affordable.

For example, The American Association for Long-Term Care Insurance estimates a 55-year-old individual can expect to pay \$665 annually for long-term care insurance if he or she is married or \$1,075 if single. A 65-year-old purchasing comparable coverage will pay \$1,292 or \$1,923, respectively—almost twice the cost.

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## Events

### [Beyond Retirement Illusions Webinar](#)

During this free one-hour webinar you'll learn ways to help clients understand longevity risks, changing retirement income sources, early retirement, asset allocation, and the importance of retirement income planning.

**Date:** Nov. 7, 2007**Time:** 4:15 EST**Registration:**[Enroll now](#) ▶

The Hartford Mutual Funds is proud to sponsor *The Barron's Winner's Circle Top Women Financial Advisors Summit* November 28-30, 2007 at The Breakers in Palm Beach, Florida.

## Question of the Month

When helping your clients plan their retirement, how often do you discuss health and chronic illness?

Proponents believe that LTC insurance will play an increasingly important role in retirement planning. It took 30 years for people to understand the virtues of 401(k) plans and decades to witness the benefits, says Slome. As baby boomers watch their parents struggle with health care costs or benefit from LTC claims, more people will understand its merits.

[Answer](#) ▶

For more retirement information and resources, visit the [Hartford Investor Financial Professional Website](#)

### **The Federal Government Promotes Long-Term Care Planning**

The government appears to be using the "carrot-and-stick" approach to LTC. Medicare and Medicaid cutbacks and stricter eligibility requirements are forcing retirees to rely more on their own personal assets for health care expenses. The Deficit Reduction Act, which extended the look-back period for asset transfers and made homes a countable asset for Medicaid eligibility, means even more people will have to deplete assets before they qualify for government support.

Meanwhile, the government—through education and tax incentives—is encouraging people to plan for future expenses. The IRS has increased deductibility levels for LTC premiums. Likewise, many states offer their own tax incentives, and governors are sending letters to 45- to 65-year-old constituents urging them to plan for LTC. These tax breaks make the cost more palatable for individuals and business alike.

"It's not just one of the remaining tax deduction expenses for business owners, but an outstanding way to pay for post-retirement asset protection," says Slome.

Many financial advisors attest to an increasing interest among clients. "Policies have increased in popularity because of the astute awakening of the insurance firms with regards to simplification of materials, better pricing, and a bigger selection—as well as major advertising campaigns," says Patti Branco, president and CEO of PB Management Solutions, and author of [The Path to Million Dollar Production](#).

### **Advisors Urge Clients to Consider LTC**

Savvy financial advisors are not waiting for clients to raise their hand and make inquiries. They are actively promoting policies with much success, and see this as a great growth opportunity.

Theresa Krueg, a wealth manager and vice president of WealthTrust Arizona, is a proponent. She discusses the virtues of LTC with clients, and explains the different benefit levels and options. Most usually go forward with some form of insurance; those who don't are asked to sign a waiver.

The premiums have little impact on portfolio values, says Krueg, whereas an \$80,000 annual LTC expense could create a deficit the client will never recoup or recover from.

In addition to asset protection, the other great benefit is choice. The individual can choose where and how to receive care, says Randy Carver, president of Carver Financial Services and a branch manager for Raymond James Financial Services.

Claimants are reimbursed either a fixed daily, monthly, or fixed dollar amount for specific services, including nursing home care, personal care such as bathing or feeding, physical therapies to maintain or restore function, and respite assistance for family caregivers.

## **RESOURCES**

### **Long-Term Care Insurance Week**

The American Association for Long-Term Care Insurance (AALTCI) will mark National Long-Term Care Awareness Week from November 4-10, 2007. AALTCI has established a special [online resource center](#) for those seeking information. The website also provides generic letters, phone scripts, downloadable five-minute sales audios and reproducible marketing and communication material

that advisors can use to educate clients about long-term care planning.

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#### Sales Ideas from The Hartford

## Grow Your Business

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