

**A SPECIAL PLANNING GUIDE
FOR KIPLINGER'S PERSONAL FINANCE READERS**

Valuable Lessons on Long-Term Care Planning

Helpful Guidelines for 40-60 Year-Olds



PRESENTED BY THE
American Association for Long-Term Care Insurance
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Anyone who has ever managed or provided care for an elderly parent or relative understands the importance of planning ahead for their own future long-term care needs. But if you have not experienced the significant financial, physical and emotional impact of a caregiving situation, this guide shares important reasons to start your long-term care planning process now — *while you have the greatest number of options available.*

1. Take advantage of age and health

The earlier you start thinking about long-term care, the more options you'll have to consider, and the more affordable those options will be. Experts today say that between 45 and 55 is the ideal age to start the planning process. Here are two big reasons why:

- ▶ **The younger you are, the lower your annual premium will be** versus a comparable policy purchased at older ages.

Premium Based on Age (2 policies)

Age of Couple (same age)	Combined Monthly Premium (for couple)
40 years old	\$83
45 years old	\$94
50 years old	\$110
55 years old	\$123
60 years old	\$162
65 years old	\$225

AALTCI calculations based on preferred rates, \$150 daily benefit, 3-year benefit period, 90-day elimination period, \$164,250 total pool of money, and a future benefit growth option. Leading insurers: September 2012.

- ▶ **The younger you are when you apply for coverage, the better chance you'll qualify for a good health discount.** The older you are, the greater likelihood your application for coverage could be denied.

Good Health Versus Bad Health¹

Age When Applying	% Receiving Good Health Discount	% Denied Coverage for Health Reasons
40-49	42%	11%
50-59	32%	16%
60-69	21%	24%

2. Quantify your financial risk

The need for long-term care presents a significant risk to your financial security. Quantifying that risk helps you understand the potential impact on your assets and income in retirement, while also providing a starting point for planning.

Begin by looking at the cost of care today, and what those costs could be in 20 or 30 years — when you are most likely to need care.

The Cost of Care Today and Tomorrow

\$76,000 – Today's average national cost for one year of care¹

\$253,000¹ – Estimated future average cost for one year of care in 30 years, based on inflation²

3 Years – Average length of an LTC insurance claim¹

\$760,000 – Estimated future average cost for three years of care in 30 years, based on inflation²

Keep in mind that the costs above are for just one individual, and could be double for a couple. If you don't want to pay that kind of money out of your own pocket (i.e., out of your retirement income and savings), you'll want to consider how to insure yourself against some or all of that risk.

Resource for exploring the cost of care:

▶▶ www.johnhancockLTC.com

LTC PLANNING GUIDES

Read the three guides from prior issues of Kiplinger's. Available now online at www.aaltci.org/guides



1. American Association for Long-Term Care Insurance and AALTCI's 2012 Long-Term Care Insurance Sourcebook. Cost of care may differ based on type of care in your preferred location and setting.
 2. Projections based on an average rate of inflation of 4.1%, based on the average annual increase in the Consumer Price Index for All Urban Consumers (CPI-U) over the 50-year period ending December 31, 2011.

3. Discuss your wishes and concerns

Most people focus on the financial risk associated with needing care. That's obviously a critical part. But it's also important to think and talk about your wishes and personal concerns when care is needed:

- **Where do you want to be?** Many people prefer to stay in a home setting for as long as possible.
- **Who will provide it?** Do you want to avoid having to depend on your spouse/partner, children or other family members for care?

Having these discussions early helps to strengthen your foundation for creating a written long-term care plan that meets your personal wishes, needs and budget.

Top Reasons People Buy LTC Insurance¹

- To avoid burdening loved ones with caregiving roles
- To have a choice of where they get care
- To remain independent
- To remain in and receive care in their own home

4. Scope out policies and costs

People often ask how much an LTC insurance policy costs. The answer to that question is entirely dependent on how much coverage you buy, how your policy is designed, and your age and health when you apply. A good starting point for policy design is to:

- **LOOK** at the current cost of care where you expect to retire.
- **ESTIMATE** the number of years you'd want your coverage to last.
- **TARGET** a total "pool of money" that you'd want to have available to help pay for long-term care expenses.

Targeting a Pool of Money

Daily Benefit Amount:
\$150 per day

X

Benefit Period:
3 years
(1,095 days)

=

Total Pool of Money:
\$164,250

THE RISING COSTS OF CARE

Since you likely won't need care immediately, you'll want to consider how you will account for the rising cost of care over time. There are various strategies and policy options designed to help manage the impact of inflation on the benefits you purchase, including:

- Buying a larger initial benefit up front, which also helps to create a significant immediate pool of benefits in the event of an accident or illness today
- Purchasing some form of inflation protection on your policy (which will make your annual premium higher)

Your insurance/financial professional can show you a variety of policy design options to consider.

5. Adjust to fit your budget

Regardless of your age, you likely have a variety of other competing financial priorities on your mind. LTC insurance coverage doesn't have to be an all-or-nothing decision. Make coverage work for you:

- An LTC insurance policy is only as expensive as you make it. Flexibility in plan design and product features enables this coverage to be available to meet most budgets.
- The most important thing is to make sure you put some level of protection in place versus ignoring the risk altogether. Having a pool of money in place enables you to hedge against the risk of needing care someday.
- Your insurance/financial professional can show you a number of options and help guide you through selecting a solution that best meets your needs.

YOUR NEXT STEPS?

Speak with your insurance or financial professional

- ✓ Review cost of care information
- ✓ Estimate your potential financial risk
- ✓ Look at different coverage options
- ✓ Create a policy design that fits your needs and your budget
- ✓ Have a written plan for long-term care and review it regularly



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