



“7 in 10 people over age 65 will need Long Term Care.”

According to the U.S. Department of Health and Human Services, 7 in 10 people over the age of 65 will need long-term care (LTC) at some point in their lives. While this statistic is somewhat misleading, it is a favorite among insurance companies trying to sell you long-term care insurance (LTCi). Before you rush out to buy a policy, here are eight things you should consider.

**#1 A Long-Term Care insurance (LTCi) policy should not be confused with a plan for dealing with potential nursing home expenses.** Like all financial products and investments, LTCi should only be purchased as part of a comprehensive risk management plan. This plan should include legal documents, directives to physicians, instructions to family, an understanding of Medicaid, and various projections of exactly how LTC expenses would impact your finances. Someone trying to sell you LTCi without creating a risk management plan should be avoided.

**#2 What about Medicaid?** Medicaid (not to be confused with Medicare) should be part of any discussion on long term care as it pays for 48% of all long term care expenses. Medicaid serves as a safety net for seniors needing long term care who have run out of money. However with careful planning, a chronically ill spouse can qualify for Medicaid while still preserving more than \$600,000 of assets for the other spouse. Due to Medicaid’s complexity and ever changing rules, very few people are qualified to give advice on this topic.

**#3 Even with LTCi, you could still consume all of your assets.** Unlike homeowner’s insurance where the risk is essentially limited to the value of your home, your LTC risk is unknown. Because of this unknown, there are many situations where a person’s LTCi policy did not provide sufficient coverage and they still consumed all of their assets. LTCi can buy you time to make decisions and reposition assets. However it does not necessarily protect you from running out of money.

**#4 You won’t be living in a nursing home and traveling to Florida.** If the cost of care in your area is \$6,000 monthly, and you have \$8,000 of monthly income, you probably don’t need LTCi as your current income will cover all of your expenses. LTC expenses often replace your other lifestyle needs. For example, you won’t have much need for a house or a car if you are living in a nursing home.

**#5 LTCi is not an investment and hopefully all of your premiums will go to waste.** The biggest hesitation many people have with buying LTCi is that they may never need it and their premiums will simply go to waste. Ignoring the irony of wanting to go into a nursing home, the average owner of any type of insurance must receive less in benefits than they paid in premiums. If this were not so, the insurance companies would go bankrupt.



**#6 Just because someone is licensed to sell LTCi, doesn't mean they have any idea how it works.**

While licensing requirements vary from state to state, getting a license to sell insurance does not require anything close to a comprehensive understanding of long term care. I have yet to see an insurance company that provided its agents with training on how to create a comprehensive risk management plan and/or how Medicaid works.

**#7 Get a second opinion before making the purchase.** Before committing to pay thousands of dollars a year in premiums and/or paying tens of thousands for long term care, consider hiring a qualified financial planner or elder law attorney. While either of these professionals will have fees north of \$100 an hour, a good one will potentially save your family a small fortune of insurance premiums and long term care expenses.

**#8 LTCi can be a valuable tool, but it is not a silver bullet.** Having a LTCi policy may or may not allow you to achieve your financial goals. It may or may not protect your spouse and/or your children's inheritance. It may or may not allow you to receive quality end of life care. LTCi is most effective when it is part of a comprehensive plan.

Long-term care can be the "iceberg" of your retirement. Don't panic, but be prepared!

-Matthew Jarvis

*Matthew provides comprehensive financial advice to families in Western Washington.*

[www.JarvisFinancial.com](http://www.JarvisFinancial.com)