

Covering the Costs of Long Term Care

A recent survey revealed that most Americans are doing little to plan and save for the assistance they'll need in their later years. While about half of those surveyed believe "almost everyone" is likely to need long term care as they age, only a quarter think they will need it for themselves. As a result, two thirds have done little or no planning at all, which can be a costly mistake.¹

The reality is that LTC costs can be the biggest threat to a retirement plan. In the past, retirees could rely on pensions and were often able to sell their homes for healthy profits, providing the means to pay for care. But with the value of retirement savings diminished and the market still not fully recovered in many regions, preparing for the costs of LTC can be daunting.

Even those who are planning for their future care may be underestimating their exposure, as LTC costs continue to soar. According to the 2013 Genworth Cost of Care Survey, nursing home costs increased at more than twice the annual rate of inflation from 2008 to 2013. However, those surveyed underestimated costs in 2030 (when boomers are most likely to need care) by as much as half.²

Long Term Care Insurance Action Plan

LTC insurance can protect retirement savings, but it's not cheap. The average annual premium for an individual age 55 was \$1,720 in 2012.⁶ And, it's becoming more difficult to find an affordable policy. With lower-than-anticipated investment returns and many more claims than expected, LTC carriers have been forced to raise premiums to the extent allowable. Others have eliminated certain discounts or exited the market completely.

Women especially should give LTC insurance special consideration. With longer life expectancies, they often outlive their spouses or partners and can find themselves with depleted assets due to their spouses' earlier need for care. Today more than 70% of nursing home residents are women.⁷

In April 2013, two major insurers raised rates by as much as 40%, with the greatest impact on single women, who typically use 70% of LTC benefits. Insurers have also begun requiring stricter underwriting with blood tests, bringing underwriting for LTC insurance more in line with current underwriting practices for life insurance. LTC insurance has received negative press

related to these premium increases, but it's worth noting that many carriers have been inventive when it comes to implementing rate increases. In many cases, policyholders needn't pay the entire increase to keep their policies in force – instead they have a range of options, including reducing benefit periods and daily benefits, and increasing waiting periods.

What is Your Strategy?

With costs of LTC rising, if you have assets worth protecting and you want to preserve your independence in your later years, you should consider LTC insurance as an alternative to paying for care yourself.

LTC insurance premiums are based on many factors, including age, health, and benefit selection. With premiums on the rise, there are some strategies you can employ to keep them manageable:

1. Don't Delay.

Your age and your health have the biggest impact on your premiums, which will continue to rise each year you wait to become insured. Experts advise that the time to purchase LTC insurance is when you can comfortably afford the premiums without sacrificing contributions to your retirement account. If you can afford the premiums and you're relatively healthy, you should start your research today.

Consider this...

- Nearly 70% of Americans age 65 today will need some form of long term care (LTC).³
- When you reach age 65, you have a 40% chance of entering a nursing home and a 10% risk that you will stay there for at least five years.³
- The dementia population is expected to triple by the year 2050.⁴ Alzheimer's and related dementia (ADRD) is the leading cause of long term care claims, representing nearly a third of long term care claim dollars paid today.⁵

2. Comparison Shop.

Premiums vary widely – by as much as 50% for identical policies, according to the American Association for Long-Term Care Insurance 2012 Price Index. The Alumni/Alumnae Insurance Program offers access to LTC experts who will help you design a policy that keeps pace with inflation and provides affordable premiums throughout your retirement years. Our LTC specialists can provide quotes from several companies and find providers most likely to provide the best options for those with specific health conditions or special circumstances.

3. Get Creative.

In addition to spousal discounts, preferred health discounts and/or group coverage discounts through your alumni/alumnae association, there are other benefit options worth discussing with your LTC advisor. For example, you may want to increase your elimination (waiting) period. You may incur more out-of-pocket expense up front, but you will be covered for the more severe risk of a prolonged condition. Conversely, you may be able to reduce your in-home care benefit to lower your premium. You may also be able to sell a life insurance policy to pay for LTC insurance.

¹Associated Press-NORC Center for Public Affairs Research, April 2013.

²Nationwide Mutual Insurance Company Survey, 2013.

³U.S. Department of Health and Human Services, National Clearinghouse for Long Term Care Information, 2011.

⁴Ltclearing.com, June 2013.

⁵Dignity for Life, Long Term Care Financial Partners, 2012.

⁶Average annual premium for an individual age 55 with benefits of \$150/day, 3-year benefit period, preferred health, 3% compound inflation (American Association for Long-Term Care Insurance, 2012 LTCI Sourcebook).

⁷Dignity for Life, Long Term Care Financial Partners, 2012.

Waiting is the biggest mistake you can make.

To learn more about LTC insurance through the alumni/ae association or to schedule an appointment with a specialist, [click here.](#)