



# Smart Strategies for Long-Term Care Insurance

Avoid Common Pitfalls and Secure Your Future Peace of Mind

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## Is Long-Term Care Insurance Right for You?

### Understanding Your Options to Protect Your Future Needs

Long-term care is a critical consideration for many, particularly as we age. Research shows that over half of individuals over age 65 will require long-term care at some point. However, whether you need long-term care insurance depends on your unique financial circumstances. Let's explore the statistics and determine who might benefit most from this coverage.

### Key Statistics About Long-Term Care Needs

- **Prevalence and Duration:** Over 52% of individuals turning 65 will need long-term care during their lifetimes. Men typically require care for an average of 11 months, while women's average duration is 17 months (Morningstar, 2017).
- **Gender Disparity:** Women have a 58% likelihood of staying in a nursing home at least once, compared to 47% for men. Women are also more likely to need care for over one year—36% versus 22% for men (Morningstar, 2017).
- **Cost of Care:** The national median cost for a semi-private room in a nursing home is \$7,756 per month, but in some areas, it can be significantly higher (Genworth, 2020).

With these figures in mind, doesn't everyone need long-term care insurance? Not necessarily. Whether insurance is right for you depends largely on your financial situation. Let's break it down into three groups: low, medium, and high financial resources.

## Low Resources

Individuals with limited income and assets often qualify for Medicaid, which covers long-term care costs. Countable assets, such as cash, stocks, and bonds, must fall below state-specific thresholds—typically \$2,000 per individual (Medicaid.gov, 2022). Spouses of nursing home residents may retain assets up to \$137,400, depending on state rules, along with a monthly support allowance of up to \$3,435 (Medicaid.gov, 2022).

For those in this category, purchasing long-term care insurance is rarely necessary unless the community spouse's needs exceed Medicaid allowances. In such cases, supplemental coverage could help meet those needs without financial strain.

## High Resources

This group has sufficient income or assets to cover nursing home costs independently. For example, a high-resource household might have set aside \$240,000 to \$400,000 per spouse to cover a potential three- to five-year nursing home stay (Genworth, 2020).

While they may not need insurance, many in this category still opt for it. Insurance can help protect their estates and provide peace of mind, ensuring that long-term care costs don't deplete their wealth.

## Medium Resources

This group often benefits most from long-term care insurance. They possess assets exceeding Medicaid limits but lack the financial means to sustain prolonged nursing home expenses. For instance, at \$7,756 per month, a two-year stay could cost over \$186,000—potentially draining their savings and leaving the community spouse in financial hardship.

For medium-resource individuals, long-term care insurance offers a safety net. It helps preserve assets, secures financial independence, and provides peace of mind for families.

## Final Thoughts

Determining whether to purchase long-term care insurance depends on your financial situation, family considerations, and risk tolerance. Consulting a financial advisor can help you navigate these decisions and ensure your resources are protected.



# When Is the Best Time to Get Long-Term Care Insurance?

If long-term care protection fits your needs, securing coverage sooner rather than later is often the best approach. Waiting can lead to significantly higher premiums as you age, and delaying too long might mean losing eligibility altogether due to medical conditions.

## Saving vs. Insuring: A Cost Comparison

Some people consider saving money to cover potential long-term care costs rather than purchasing insurance. However, the numbers highlight the challenges of relying solely on savings. For example:

- **Premium Savings vs. Accumulated Costs:** Suppose you start saving \$1,628 annually at age 60 instead of purchasing a long-term care insurance policy with the same premium. Assuming a 5% annual return, your savings would grow to approximately \$56,523 over 20 years. However, the projected cost of one year in a nursing home in 2034 could reach \$274,000 (Genworth, 2020).
- **Insurance Coverage Value:** A long-term care policy with a \$1,628 annual premium could provide benefits worth approximately \$197,767 over the same period, covering a significant portion of the expected costs.

While saving can supplement your plan, insurance offers financial leverage, providing more coverage than equivalent savings in most scenarios.



## The Benefits of Starting Early

Starting a policy early provides several key advantages:

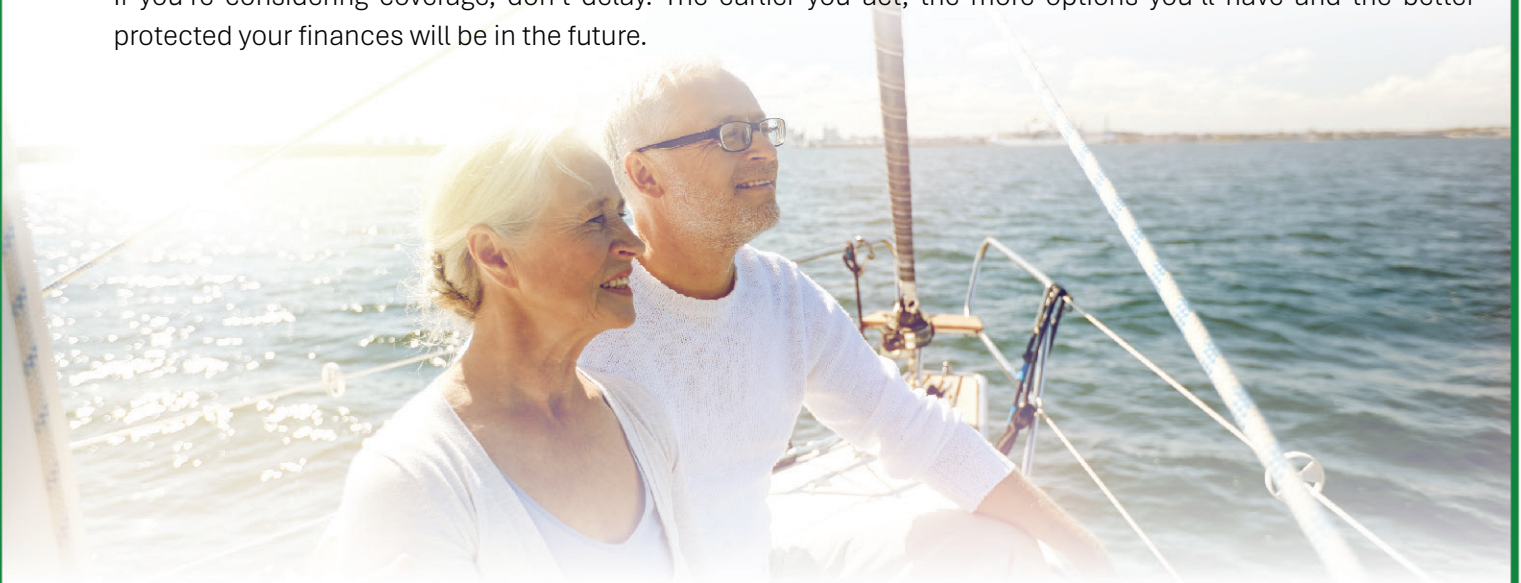
- **Lower Premiums:** Premiums for long-term care insurance are typically much lower when purchased at a younger age. According to the American Association for Long-Term Care Insurance, the average annual premium for a 55-year-old couple is \$3,050, compared to \$6,410 for a 65-year-old couple (AALTCI, 2022).
- **Easier Qualification:** Health status heavily influences eligibility for coverage. As you age, the risk of developing medical conditions increases, which may render you uninsurable. Nearly 23% of applicants aged 60–69 are denied coverage due to health issues, compared to just 14% of applicants under age 60 (AALTCI, 2022).

## Late Applications: What Are Your Options?

Even if you're older or have pre-existing medical conditions, it's still worth applying for coverage. Many insurance companies accept a variety of conditions, and there's no cost to apply. However, applying sooner increases your chances of qualifying and securing a policy tailored to your needs.

## Key Takeaways

- Purchasing long-term care insurance early provides financial benefits and ensures eligibility while you're still in good health.
- Relying solely on savings may leave you underfunded for the increasing costs of long-term care.
- If you're considering coverage, don't delay. The earlier you act, the more options you'll have and the better protected your finances will be in the future.



## Three Key Reasons to Consider Long-Term Care Insurance

### Protect Your Loved Ones from Financial and Emotional Strain

Without long-term care insurance, the responsibility for your care may fall on your family. If you're married, your spouse might face significant challenges balancing caregiving with their personal well-being. Research shows that 61% of family caregivers report high stress levels, and 23% experience financial strain due to caregiving responsibilities (National Alliance for Caregiving, 2021).

For single individuals, the burden often shifts to children or extended family, potentially disrupting their lives and careers. Long-term care insurance helps alleviate this pressure by covering the cost of professional care, allowing your loved ones to provide emotional support rather than facing the physical, emotional, and financial toll of caregiving.

### Preserve Your Financial Legacy

Long-term care expenses can drain retirement savings quickly, leaving little to pass on to your heirs. The national median cost for a private nursing home room was \$108,405 annually in 2020, and these costs are projected to increase by 3-5% per year due to inflation (Genworth, 2020). For many families, this level of expense can completely erode financial security within just a few years.

By investing in long-term care insurance, you create a financial safety net that protects your estate. This ensures your assets can be preserved for your loved ones and your legacy remains intact, offering peace of mind for the future.

## Maintain Your Independence and Dignity

Maintaining independence is crucial for aging with dignity. Without long-term care insurance, you may have to rely on family members for personal care tasks such as bathing or dressing, which can be emotionally challenging for both parties. In fact, 76% of adults over age 50 express a strong preference for remaining independent and receiving care in their own home rather than a nursing facility (AARP, 2021).

Long-term care insurance provides the resources needed to hire professional caregivers or afford preferred facilities, allowing you to maintain control over your care decisions. It ensures your dignity remains intact and that you can age in the way that aligns with your personal values.

## Final Thoughts

By investing in long-term care insurance, you can protect your loved ones from emotional and financial strain, safeguard your assets for future generations, and maintain your independence and dignity as you age. Planning ahead provides peace of mind and empowers you to make choices that benefit both you and your family.



## What Does Long-Term Care Insurance Cost?

The cost of long-term care insurance can vary significantly depending on the provider and the specific coverage options you select. For example, some companies may charge more for inflation protection, while others might have higher costs for home care coverage. After analyzing hundreds of cases, it is evident that no single company consistently offers the lowest cost for all coverage needs.

To find the best policy, it's crucial to first determine the type of coverage you want. Once you've outlined your preferences, you can request quotes from multiple providers to compare costs effectively. Below are five key factors to consider when choosing long-term care insurance coverage:

### Inflation Protection

Inflation protection increases your insurance benefits over time to keep pace with rising long-term care costs. This feature is particularly valuable if you are under 75, as you may not need benefits for many years, during which costs are likely to increase substantially.

For instance, the average annual cost of a private nursing home room was \$108,405 in 2020, and costs are projected to increase at a rate of 3-5% annually (Genworth, 2020). By the time you might need care, inflation protection could mean the difference between adequate coverage and significant financial shortfalls.

## Benefit Period

The benefit period determines how long your insurance will pay for your care once you begin receiving benefits. Policies typically range from two to five years, with a five-year policy covering approximately 90% of all long-term care cases historically (Morningstar, 2017).

While there's no guarantee these patterns will persist, selecting at least four years of coverage is often recommended to ensure adequate protection for most care needs.

## Daily Benefit

The daily benefit is the amount your policy will pay for your care per day. To determine the appropriate benefit amount, calculate the gap between your expected care costs and your existing income sources, such as Social Security, pensions, annuities, or retirement distributions.

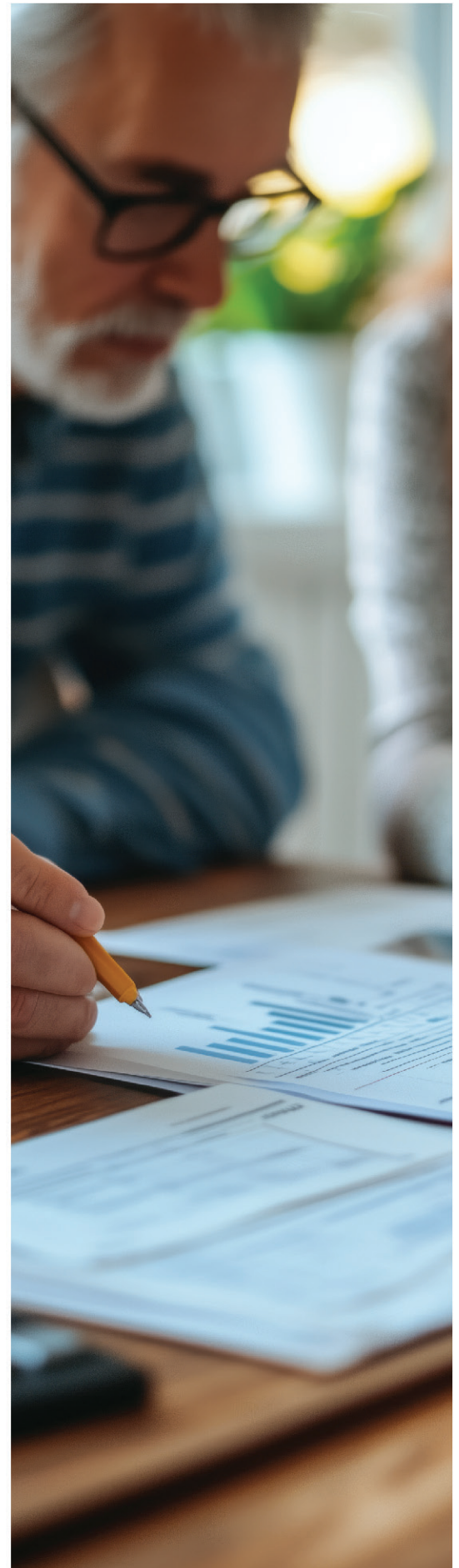
For example, if you anticipate needing an additional \$4,500 in monthly cash flow, you might select a policy with a \$150 daily benefit ( $\$4,500 \div 30$  days). Keep in mind that inflation should also factor into your calculations, as future costs may be significantly higher.

## Coverage for In-Home and Out-of-Home Care

You can customize your policy to cover care in specific locations, such as your home or a nursing facility. Many individuals prefer the idea of remaining at home, valuing their independence. However, outside-the-home care coverage is often more critical due to its higher costs and specialized nature.

- **In-Home Care:** Care at home often involves non-medical tasks like cooking, cleaning, and errands, which are less expensive. The median cost of homemaker services was \$54,912 annually in 2020 (Genworth, 2020).
- **Out-of-Home Care:** Nursing home care, by contrast, is significantly more expensive and includes comprehensive medical services. The national median cost for a private room was \$108,405 in 2020 (Genworth, 2020).

Additionally, consider whether your home is equipped to handle mobility challenges, such as stairs, narrow doorways, or long distances to the car. Many facilities are specifically designed to meet these needs, making them a better option for some individuals.



## Elimination Period

The elimination period, similar to a deductible, is the number of days you will pay out-of-pocket before your insurance benefits begin. Most policies offer elimination periods ranging from zero to 180 days, with shorter periods resulting in higher premiums.

For example, selecting a 90-day elimination period instead of a 30-day period could significantly lower your premium, but you would need to ensure you have sufficient savings to cover care costs during that time.



## Key Takeaways

- Evaluate your coverage needs, including inflation protection, benefit period, and daily benefit, to ensure the policy aligns with your financial situation and care preferences.
- If budget permits, prioritize both in-home and out-of-home care coverage to maximize flexibility and security.
- Carefully consider the elimination period to balance premium costs with your ability to cover initial care expenses.

By taking these factors into account, you can choose a long-term care insurance policy that provides financial security and peace of mind, ensuring you receive the care you need without burdening your loved ones.



## Affordable Strategies for Long-Term Care Insurance

### How to Lower Premiums Without Sacrificing Essential Coverage

While having comprehensive long-term care insurance is ideal—covering inflation protection, lifetime benefits, and at least \$200 per day—it's often better to have basic coverage than no coverage at all. The cost of long-term care is significant, and even partial coverage can ease the financial burden on you and your family. Below are five strategies to help reduce the cost of long-term care insurance while still providing essential protection.

### Reduce the Coverage Period

Choosing a shorter benefit period can significantly reduce premiums. For example, reducing coverage from five years to four years can lower costs while still offering meaningful protection. Research shows that a five-year policy has historically covered 90% of long-term care cases (Morningstar, 2017). While there are no guarantees this trend will continue, shorter coverage periods remain a cost-effective way to mitigate risks.



# COST REDUCTION

# GO

## **Opt for a Lower Daily Benefit**

The national average daily cost for nursing home care is \$250 (Genworth, 2020). However, you don't necessarily need to cover the full amount with insurance. By selecting a daily benefit of \$130 or \$160, you can use other income sources, such as Social Security or retirement savings, to bridge the gap. This approach ensures partial coverage while keeping premiums affordable.

## **Omit Inflation Protection for Older Policyholders**

Inflation protection is crucial for younger buyers, but for those aged 75 and older, it may be unnecessary. If long-term care is needed, it's more likely to occur within the next 10 years, reducing the impact of inflation. By omitting this feature, older policyholders can significantly lower premiums without compromising near-term protection.

## **Consider Partial Home Care Coverage**

Home care often costs less than nursing home care, making partial home care coverage a practical option. For example, many policies offer \$100 per day for nursing home care and \$50 per day for home care. Since family members or friends can often assist with home-based care, reducing home care benefits can help lower premiums while still ensuring coverage for more intensive needs outside the home.

## **Prioritize Coverage for Out-of-Home Care**

The cost of round-the-clock nursing home care (\$108,405 annually for a private room) is significantly higher than part-time home care (\$54,912 annually for homemaker services) (Genworth, 2020). If your budget is limited, prioritizing coverage for nursing home or assisted living facilities makes sense. Family or friends can often help with in-home care, making outside-the-home coverage a more critical focus for many individuals.

## **Key Takeaways**

These five strategies can help reduce the cost of long-term care insurance while still providing meaningful protection. It's essential to balance affordability with adequate coverage, as even partial policies can significantly ease the financial burden of long-term care. By tailoring your coverage to your specific needs, you can protect yourself and your family without overextending your budget.

# Protecting Your Future with Long-Term Care Insurance

Planning for long-term care is one of the most important steps you can take to protect yourself and your family. Throughout this guide, we've explored the key considerations when determining your coverage needs, including understanding the costs, tailoring your policy to your financial situation, and employing strategies to reduce premiums while maintaining essential benefits.

We've also highlighted the significance of protecting your loved ones from the emotional and financial strain of caregiving, preserving your financial legacy, and ensuring your independence and dignity as you age. Long-term care insurance is a powerful tool that provides peace of mind, helping you navigate the uncertainties of the future with confidence.

However, every individual's circumstances are unique. The decisions you make regarding benefit periods, daily coverage amounts, inflation protection, and other policy features should be tailored to your financial goals and personal values.

To ensure you make the best choices, we encourage you to reach out to the financial professional who provided you with this guidebook. They can help you evaluate your current situation, compare policy options, and customize a plan that aligns with your needs. Together, you can create a strategy that safeguards your future and protects the people who matter most.

Take the first step today—schedule a consultation with your financial professional to discuss your long-term care planning options. Your peace of mind and financial security are worth it.

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