

Long-term care insurance protects income, assets

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Long-term care insurance often is thought of as a way to protect your assets. But its main role is to provide a stream of income to cover the cost of care, whether it's given at home or in a long-term care facility.

Long-term care policies have evolved in recent years to cover in-home care, adult day care, assisted living or nursing home care, depending on the policy. Some policies will cover modifications that make your home suitable for in-home care.

"For many people, (a policy) may be the financial tool that helps keep them out of a nursing home," said William Comfort Jr., a specialist in long-term policies and owner of Comfort Assurance Group in Creve Coeur.

Most policies will pay for care if you need help with two critical activities of daily living: bathing, dressing, eating, using the toilet, moving from a bed to a chair or remembering to take your medicine, said Tom Kopatz, a managing partner in Chesterfield with Thrivent Financial for Lutherans.

The policies aren't for everyone. For one thing, they're expensive, so buyers need enough disposable income to pay the monthly premiums and cover their usual living expenses, and save for retirement and emergency funds.

Lower-income people who have few assets beyond a home and some savings probably can't afford a policy, which can cost upwards of \$1,000 a year. Wealthy individuals may not need it, though some buy it to guard against the depletion of their estate if they need care.

The policies most often are suggested for individuals and couples who have \$250,000 to \$2 million in assets, including their home, said Berry Brown, president of Guardian Wealth Protection in Wildwood.

Brad Koeneman, a financial planner with Moneta Group in Clayton, said he doesn't like to scare his clients, but he points out that they could need \$500,000 to \$1 million to pay for care out of pocket.

Nursing home care costs about \$67,000 a year, a cost that's rising as fast as or faster than inflation. On average, most people stay in a nursing home for 2 1/2 years, but Alzheimer's patients often need care for eight or more years.

Comfort said buyers have five main decisions (see box) to make when they seek a quote for the insurance. The big ones are the amount of benefit covered and the length of time the policy will pay.

In general, the cost of policies rises with the monthly or daily benefit amount and the years covered. Buyers can save money by choosing a longer waiting period for benefits, also called the elimination period.

Brown said buyers should "buy a policy that's adequate the day they purchase it but will keep its adequacy for the life of the policy." Inflation protection costs more, but it could be worth it if you don't need care for 20 or 30 years.

Another big variable is the age and health of the buyer. Generally, policies cost less the younger and healthier you are. The average age for buying long-term care policies has dropped to 61, from 68 five years ago, said Jodi Anatole, vice president in MetLife's long-term care department. But some people buy the policies in their 40s.

With most policies, the premium is fixed for the life of the person buying the policy, as long as you don't change the benefit. (There are a few circumstances when the cost can go up.) So the earlier you lock in a rate, the less you will pay each month.

We requested quotes for a 55-year-old married person in good health. The cost varied from \$128 to \$226 a month for an inflation-protected policy that paid \$150 a day for eight years, with a 90-day waiting period before benefits began and inflation adjustments.

Randall Gornbein of Long Term Care Financial Partners in Clayton gave a range of \$126 for a 45-year-old to \$226 for a 65-year-old for a policy providing \$150 a day for four years with a 90-day waiting period and 5 percent inflation protection.

Once buyers apply for coverage, the insurance company will ask them to fill out health questionnaires, list medications they take and allow access to medical records. For older buyers, a face-to-face interview with a nurse also may be

required, Brown said.

The process of underwriting can take several months after an agent provides the buyer with a quote. Brown said buyers can use that time to learn about the policies — and ask for quotes from several sources.

Because the policies are so complex, buyers may want to deal with an agent who specializes in long-term care insurance rather than one who sells mostly automobile and homeowners policies. In any case, ask how many long-term care policies an agent has sold and what training he or she has in selling the insurance.

In addition, you should buy from a company that has good ratings from an agency like A.M. Best, Moody's Investors Service or Standard & Poor's, Anatole said. Insurance providers may list the ratings on their websites. Information also is available from state insurance divisions.

In addition to the rating, buyers should ask about the insurer's claims-paying capability and its complaint index, Kopatz said. A complaint index of 100 is considered normal.

In Missouri, information is available at www.insurance.mo.gov or by calling 1-800-726-7390. In Illinois, go to www.idfpr.com/DOI/Complaints/Complaints.asp or call 1-866-445-5364 (Illinois residents only).

Buying long-term care insurance involves five basic decisions:

- How much do you need each month? The daily benefit amount is expressed in dollars per day or per month. You should decide how much of your care you can fund with income or savings and how much with insurance.
- How long do you want benefits to last once they begin? This can range from two years to a lifetime. This is expressed as a "total lifetime benefit," which is the benefit period times the daily benefit amount.
- Do you want inflation protection? This option means that the daily benefit will grow over time. A 5 percent compound rate will double the benefit in 15 years; a 5 percent simple rate doubles in 20 years.
- How long will you wait to receive benefits? This is known as the elimination period. It varies from 0 to 365 days, although 90 days is typical.
- How will you receive benefits? This can be either monthly or daily reimbursement or indemnity. Reimbursement pays you for expenses incurred and requires you to submit receipts for a claim to be paid. Indemnity pays the contract benefit even if actual expenses are less.

Source: Comfort Assurance Group LLC

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