VANTAGE POINTE
Vantage Financial Partners Limited

APRIL 2011

LONG-TERM CARE INSURANCE - 5 KEY FACTORS

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The Centers for Medicare & Medicaid Services (www.cms.gov) estimate that by 2020, 12 million Americans will need long-term care, with most of these individuals desiring care at home. The cost associated with this type of specialized help continues to increase, and it is no surprise that 70% of these caregivers are predicted to be comprised of friends and family. It is important for those hoping to prepare for possible long-term care expenses, or perhaps move to a retirement community with priced-in care provisions, to consider a Long-term Care (LTC) insurance policy. Five key factors should be considered when evaluating long-term care insurance.

ELIMINATION PERIODS

An elimination period is defined as the time that elapses between the designation of eligibility and the onset of benefits. In the example of a 90-day elimination period policy a policy-holder must receive care for 90 days before the policy will respond to any of the costs of care. Many times the annual premium cost can be reduced by increasing the elimination period, and yet that decision may not be the most cost effective option. If a 180-day elimination period is chosen instead of one lasting 90 days, premiums will be lower. However, the out-of-pocket expenses incurred for long-term care during that additional 90-day period can quickly surpass any savings banked from the reduced premiums.

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COST OF LIVING ADJUSTMENTS

Many people consider and purchase long-term care insurance during their 50s and 60s while they are in good health, but it is important to recognize costs will increase over time. A policy with a $300/day benefit may not provide enough coverage in time. With costs

increasing at almost 5% a year, daily expenses may be much higher. Therefore, it is important to consider a Cost of Living Adjustment (COLA) with benefits that will help insure against the total cost of care.

These COLA riders can either be purchased as a simple or compound interest COLA. It is a widely held belief that the compound provision is most beneficial, but in some circumstances this is not the case. Be sure to review the differences with your Relationship Manager to determine which provision is most beneficial for the type of coverage you seek.

SHARED BENEFITS

Married individuals can purchase policies with various attractive features. For example, both spouses could purchase separate policies, but with each person also being eligible to use the other's benefits should one exhaust his or her own. Additionally, married individuals could purchase a joint policy: "share-care." In this case the benefit is pooled, which makes sense when there is a large age gap between spouses. When one dies, the survivor is eligible to use the rest of the benefit pool for his or her needs. This type of package may prove to be less expensive than purchasing the same coverage through individual policies.

QUALIFIED POLICIES

A qualified LTC insurance policy conforms to the Health Insurance and Accountability Act (HIPAA) and is considered health insurance. A qualified policy allows a portion of the premium to be deducted for federal income tax purposes while subject to age restrictions and adjusted gross income (AGI) limitations. In addition, a qualified policy will usually pay out tax-free benefits. For those who are self-employed, 100% of the eligible premiums may be deductible against federal income without the need to meet AGI requirements. Be sure to consult with your tax advisor to fully understand whether you are eligible for these tax deductions.

FLEXIBLE PAYOUT STRUCTURES

Some policies, for a higher premium, allow flexibility in the payment of benefits. This may include a monthly rather than daily benefit for at-home, assisted living, or nursing home care, or even a daily cash stipend regardless of the care provider. Be careful as most policies will reimburse costs for care provided by trained professionals but not for friends or family. A cash stipend may allow direct reimbursement of non-professionals.

Without these flexible payout options it may be necessary to pre-pay expenses and submit receipts. Additionally, most likely only bills from a medical professional will be reimbursed. It may be wise to pay a higher premium up front in order to acquire freedom in selecting the desired care provider.

Many of us will have to face long-term care at some point in life, whether for ourselves or for someone we love. It is important to consider this potential expense while still able to plan ahead. Costs will continue to rise, and multiple options are desirable when it comes to decisions affecting health. Call your Relationship Manager today to discuss whether Long-term Care Insurance is right for you.

Published by Vantage Financial Partners Limited.

VANTAGE NEWS

On March 22nd, Mike & Debbie happily celebrated their 25th wedding anniversary. Congratulations! Not to let such a grand occasion go without a little fun, they, along with their daughter, Grace, headed to California to visit a long time friend. While there, they visited all the local beaches and sights, rode bikes down the strand and visited both Pepperdine and UCLA Universities which Grace truly enjoyed.

Earlier this month, Vantage learned of a new company that allows people to recycle electronic items (computers, monitors, printers etc.). While Vantage is not endorsing this company, disposal of electronics has become a challenge of late and we wanted to share this potential resource. Genesis Recycling (www.genesisrecycling.net) charges minimal or zero fees for these items. If you have electronic items that you would like to dispose of, you may want to give them a try. Be sure to completely remove all data from these devices prior to disposal.