

A LONG TERM CARE PLAN: INCOME PLANNING WITH A PURPOSE



By: Tricia Hancock, CLTC

We need to change the thinking around Long Term Care planning in both our minds as advisors and our client's perceptions. In the "old" days we thought of Long Term Care Insurance as nursing home insurance. It then evolved over the years to focus on home care and assisted living benefits, then focus shifted to protecting the family from the consequences of the insured need LTC services.

Today, with so many planning options we are starting to look at it as income planning, just like we look at retirement income planning. I started touching on this in my St Patrick's Day blog. What is really the goal of LTC planning? It is to have income to pay for our potential LTC needs without disturbing the retirement income plan that has been put in place for our family. We set up sources of income to cover so many of the what if/ when's in life. Life insurance replaces lost income in the event of an early death. Annuities provide income for when we retire. Auto gives an income to cover damages to our cars. Health Insurance / Medicare gives income to pay medical bills. LTCi is a source of income dedicated to fund long term care expenses - plain and simple.

If you've ever heard me do a client presentation, I use a banking analogy. An LTC solution creates a pool of money or a "checking account" that allows you to withdraw up to a specified amount to pay for your care. Whatever vehicle is used to create that account is almost secondary in importance to its actual creation before care is needed. Without pre-planning the care will be paid for out of the income that has been earmarked for retirement or provided by family members. And we all know how that story goes. As you have to draw more income, the principal gets invaded faster, which means you have to withdraw a higher percentage each year and that is what creates the snowball effect that can impact the lifestyle of family members for the rest of their lives.

Dedicated Long Term Care income is not coming from any asset that is being used for retirement income, legacy plans or anything else. The sole purpose of this account, or pool, is that if care is needed, it allows the family to be care coordinators and use the income to pay for the resources needed rather than providing the care themselves to diverting income that is needed for other things.

Notice I haven't mentioned a product once yet. The first conversation you have with clients is establishing the need for a plan and to determine how much of a separate account your client needs. You can look at their retirement plans and see how much from there could be used to pay for care, before it makes changes in their lifestyle. Can they afford to pay \$1,000 a month? \$2,000 before they have to make changes? Then what is the cost of care they want to receive in their area? Look at the cost of home care and assisted living facilities (ALF). I doubt your clients are going to want to go to a nursing home. That is the most expensive care and the cost is staggering. It's because it is the most medically intensive type of care provided. I also know we all have heard the stats of a 3 year stay in a Nursing Home, and we all know someone who has been there longer. I ask, "why was the person there? If they had income to pay for their care, could they have been at home or in an ALF?" My personal stories, yes, they were in a nursing home because they were on Medicaid. Otherwise they could have been home or in an assisted living facility.

So, look at the cost of care, subtract what they think they can contribute before it impacts their families lifestyle and the difference is the monthly income they need from another source to fund the care they want. There are many options that can be used to create that account - Stand Alone LTCi, Linked Benefits, Chronic Illness Riders, Annuities, self-funding are just a few options. Which one is best? There is no one perfect product that is right for all of our clients. If there was, I'd be out of a job really fast, so would all of you. Each client has unique needs and concerns that need to be addressed by an advisor. The best choice is the one your clients feel comfortable enough with to put in place and keep in place until they need it. Each option has advantages and disadvantages to it. But don't let all of the options out there keep you from having the conversation with your clients because you are afraid of steering them wrong. I work with advisors and their clients every day to help find the solution that works best for their unique needs. Many times the right solution presents itself easily because of something the client says. It might be a specific type of care they want, a personal experience, premium budget or health issue that leads us down a certain path.

UMS has developed many tools to help you guide clients through the decision making process. We have a fact-finder to get them started and for you to help find the right solution. Call us today for your copy: 800-524-1774!