

Planning Ahead for the Long and Winding Road

By Kurt Samson

For families with a history of neurological disorders, long-term care is the elephant in the living room everyone usually ignores until it's unavoidable. Such a wait-and-see attitude can spell financial disaster, even for families with a wealth of resources.

One out of every two Americans will at some point require long-term care. And nursing home charges will soon average six figures per year.

Those statistics alone could have spurred financial planner Errold F. Moody Jr. to specialize in long-term planning. But Moody had a more personal mission: he was his mother's primary caregiver after she developed Alzheimer's disease, and thus learned firsthand how emotionally and financially draining long-term care can be. So he created a website on long-term planning to help patients and caregivers. Highly rated by *USA Today* and *Forbes* magazine, his comprehensive site (www.efmoody.com) features hundreds of links to information sources.

From his office near San Francisco, Moody warns clients that while policies are not cheap and always get more expensive with age, once a disease is diagnosed, few insurers want your business. The good news, he says, is that insurers today rarely consider genetic diseases when calculating a person's health-risk profile. "That's not to say it isn't being done by some underwriters," he adds. "But I read everything in this area and I've never heard of anyone checking hereditary factors."

As a financial planner, however, Moody has to ask clients about genetic disease risks. "Family members are usually skittish, but I



don't have any wiggle room," he explains. "If a client is over 50 and there are family members with certain diseases we know to be inherited — be it Alzheimer's or multiple sclerosis — I have a fiduciary duty to rec-

ommend long-term care insurance. And if they decide against it, I have to put their decision in writing to protect myself."

Hence his standard advice to clients: "protect yourself."

INSURING LONG-TERM CARE

Although most people don't start considering long-term care insurance until they reach retirement age, 40 percent of all long-term care claims are filed by people under 65 years old, according to the American Health Care Association.

Figuring out if, when and how much long-term care insurance to buy is never easy — and always seems too expensive until you consider the alternative.

Consider this: A private room in a nursing home currently averages \$66,000 a year. And by 2021, that same room will cost \$175,200 a year.

Now consider this: Nearly 5 million Americans today have Alzheimer's — a number expected to triple by mid-century as the baby boom generation ages. And while 70 percent of Alzheimer's patients are cared for in the home, as many as half of all nursing home residents have the disease.

Long-term care premiums are set based on several factors: age, health, length of deductible period, amount paid, and duration of benefits. Higher daily benefits and optional features, such as inflation protection and nonforfeiture riders, increase the premium.

Coverage is less expensive and much easier to qualify for if you're young and healthy. The annual premium for a low-option policy for a person at age 50 is about \$850, but by age 65 that same policy costs about \$1,800, and by age 75 it costs \$5,500. Those figures become even scarier when you consider that 70 percent of all people over age 70 require long-term care.

STAY-AT-HOME CARE

No one wants to end up in a nursing home, but neither do we want to become a burden on loved ones. That's why people need to explore a range of options, says long-term planning expert Debra C. Newman.

"No one can predict when or if a policy will be needed, but if there is a history of a specific disease in a family, you need to have a plan," says Newman, who

serves on board of directors of the Life and Health Insurance Foundation for Education.

Newman says most people make the mistake of equating long-term care with being in nursing homes, when in fact just the opposite is true.

"It's not about nursing homes — it's about being able to afford care in the home for as long as possible, and for that you need a funding strategy," she says.

There are as many as 50 to 60 different plan options, but Newman tells people looking for a policy that the key is selecting the plan that offers the most flexibility. A policy should keep up with inflation yet provide the maximum ben-

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efit, she says, noting that costs are steadily rising at 5 percent each year. It's also important to make sure that a policy's index inflation feature is based on the annual inflation rate rather than on the rate when a policy is taken out.

Deductibles in long-term care policies are called "waiting" or "elimination" periods. These typically begin when a qualified policyholder first receives care and last from 10 days to a year. Newman says you can pick any period of time, but recommends you insist that the policy's waiting period is based on calendar days rather than actual days of home-care services. With policies based on calendar days, the waiting period begins as soon as you become eligible; but policies based on service days only count actual days of home care toward reducing your

deductible, significantly lengthening that waiting period.

You also must decide how much risk you want to insure, and how much you're willing to shoulder. "Find out what services cost in your community and use this as your base: how much money will it take per day?" Newman says. "I usually recommend a policy that covers 100 percent of the daily, weekly or monthly cost."

Although most of us would prefer paying a family member to provide care at home, most insurers won't cover that — only agencies and licensed home-care professionals. But there are ways around that, Newman says. For instance, reimbursement policies pay only what a facility charges, which is often lower than the actual benefit; but with a disability cash benefit policy, a check for the full amount is issued each month and can be used to pay family members, Newman explains.

So-called "bucket of money" riders on disability policies are also helpful when policyholders want control of their benefits. Once a medical condition qualifies a policyholder to receive benefits, the entire amount is available for use as needed. Such policies are especially helpful when both spouses want coverage. "If one spouse exhausts their benefits, the other's can be used," Newman explains. "Say a husband or wife knows that at some point they'll have to become the primary caregiver. I'd advise each partner to take out a five-year or seven-year disability policy. That way, if one stays healthy, there's actually 10 to 14 years of coverage for the one who needs care."

Which is what long-term care planning is all about. NN

Kurt Samson is a medical and business writer whose work has appeared in Entrepreneur and Life Extension magazines.



For more information about long-term care planning, see RESOURCE CENTRAL on page 46.