

Conquer the LTC Dilemma!

It's Your Money
Verlyn De Wit, CLU, ChFC

It's more fun to sort wild-eyed heifers in knee-deep manure than to shop for Long Term Care (LTC) insurance.

People want LTC insurance because it provides:

- Personal dignity. You'll never have to burden family members with your care.
- Personal freedom. You'll have a better chance of staying out of a nursing home with LTC insurance. Today's plans can provide enough money for in-home care so that you aren't forced to enter a care center.
- Protection of assets. A 2008 survey by Genworth Financial discovered that the average daily nursing home room in California goes for \$238 per day, or nearly \$87,000 per year.

But who wants to pay for something they may never use? SmartMoney reports, "...the average nursing home stay is 2.4 years, [but] as many as 68% of those age 65 and older who are discharged from nursing homes...spend less than 90 days there." Ironically, most LTC plans have a 90-day no-pay period before benefits begin.

So is it good news or bad news if the thousands of dollars you've spent for LTC insurance go down the drain unused? If this dilemma has you shaking your head, there may be a compromise solution that fits your style.

A number of insurance companies now offer a life insurance policy that carries a LTC rider. Let me introduce you to my imaginary friend, Martin.

Martin is 65 and in excellent health. By paying an annual premium of less than \$4,000, Martin can purchase a life insurance policy on his life that is projected to provide a \$125,000 death benefit until he reaches age 100.

But there is something very special about Martin's policy. If he requires qualified long-term care services (home health care, nursing home care, assisted living care or adult day care) an amount double his life insurance death benefit is available to him to meet those expenses.

Assume Martin needs to enter a nursing home. Martin's life insurance policy provides a \$250,000 account which will reimburse Martin for his expenses. The most paid out in any month will be \$5,000 or 2% of the account. This \$5,000 per month reimbursement would be exhausted in 50 months. The monthly reimbursement won't cover all his costs if the average stay runs \$238 per day as discussed above, but it certainly puts a big dent in it!

Any amounts paid to Martin for LTC reimbursement, whether at home or in a care center will reduce the eventual life insurance benefit dollar for dollar down to a minimum death benefit of \$25,000.

Need to Know More?

Two great books on LTC planning are *The Complete Idiot's Guide to Long-Term Care Planning* by Marilee Driscoll and *How to Protect Your Family's Life Savings from Catastrophic Illness* by Harley Gordon

Simply stated, Martin has purchased a life insurance policy for his heirs. However, if he suffers a serious setback that requires qualified Long Term Care, he will be reimbursed for up to double the death benefit during his lifetime.

Martin has found a solution to the LTC dilemma. He, or his heirs will receive something back for the premiums Martin has paid. One drawback to this type of policy is that it generates very little cash value. So if Martin later decides to forfeit his policy, all coverage will cease with little or no residual value. This must be viewed as a long-term insurance program.

As you may have guessed, Martin and his situation are fictitious. I've simply tried to alert you to a relatively new alternative in LTC coverage that many folks have found attractive. So the numbers presented here are representative. You need to do more research to find out the facts for your particular situation.

I recommend that you consult a competent LTC insurance professional to see if this type of policy is right for you. Your LTC insurance professional can check rates, guarantees and benefits with a number of plans and companies.

After all, if you're sorting wild-eyed heifers in knee-deep manure, it's great to have a hand!

Verlyn De Wit helps successful dairy producers make smart decisions about their money. He can be reached toll-free at 1-888-468-1728 by email at vdewit@sammonsrep.com or "snail-mail" at 1270 Eastside Dr., Sioux Center, IA 51250. Securities offered through Sammons Securities Co., LLC. 4261 Park Road, Ann Arbor, MI 48103. Member FINRA and SIPC.

Neither The Ranch Company nor Verlyn De Wit is qualified to offer legal or tax advice. Consult your attorney and/or tax professional for a qualified opinion regarding your personal situation.