

How will you pay for long term care? The sad fact is that most people don't know the answer to that question. But a solution is available.

As baby boomers leave their careers behind, long term care insurance will become very important in their financial strategies. The reasons to get an LTC policy after age 50 are very compelling.

Your premium payments buy you access to a large pool of money which can be used to pay for long term care costs. By paying for LTC out of that pool of money, you can preserve your retirement savings and income.

The cost of assisted living or nursing home care alone could motivate you to pay the premiums. AARP and Genworth Financial conduct an annual Cost of Care Survey to gauge the price of long term care. The 2008 survey found that

- The national average annual cost of a private room in a nursing home is \$76,460 - \$209 per day, and 17% higher than it was in 2004.
- A private one-bedroom unit in an assisted living facility averages \$36,090 annually - and that is 25% higher than it was in 2004.
- The average annual payments to a non-Medicare certified, state-licensed home health aide are \$43,884.¹

Can you imagine spending an extra \$30-80K out of your retirement savings in a year? What if you had to do it for more than one year?

AARP notes that approximately 60% of people over age 65 will require some kind of long term care during their lifetimes.²

Why procrastinate? The earlier you opt for LTC coverage, the cheaper the premiums. This is why many people purchase it before they retire. Those in poor health or over the age of 80 are frequently ineligible for coverage.

What it pays for. Some people think LTC coverage just pays for nursing home care. Not true: it can pay for a wide variety of nursing, social, and rehabilitative services at home and away from home, for people with a chronic illness or disability or people who just need assistance bathing, eating or dressing.³

Choosing a DBA. That stands for Daily Benefit Amount, which is the maximum amount your LTC plan will pay for one day's care in a nursing home facility. You can choose a Daily Benefit Amount when you pay for your LTC coverage, and you can also choose the length of time that you may receive the full DBA every day. The DBA typically ranges from a few dozen dollars to hundreds of dollars. Some of these plans offer you "inflation protection" at enrollment, meaning that every few years, you will have the chance to buy additional coverage and get compounding - so your pool of money can grow.

The Medicare misconception. Too many people think Medicare will pick up the cost of long term care. Medicare is not long term care insurance. Medicare will only pay for the first 100 days of nursing home care, and only if 1) you are receiving skilled care and 2) you go into the nursing home right after a hospital stay of at least 3 days. Medicare also covers limited home visits for skilled care, and some hospice services for the terminally ill. That's all.²

Now, Medicaid can actually pay for long term care - if you are destitute. Are you willing to wait until you are broke for a way to fund long term care? Of course not. LTC insurance provides a way to do it.

Why not look into this? You may have heard that LTC insurance is expensive compared with some other forms of policies. But the annual premiums (about as much as you'd spend on a used car from the mid-1990s) are nothing compared to real-world LTC costs.⁴ Ask me about some of the LTC choices you can explore - while you may have life, health or disability insurance, that's not the same thing as long term care coverage.

Citations.

¹ aarp.org/states/nj/articles/genworth_releases_2008_cost_of_care_survey_results.html [4/29/08]

² aarp.org/families/caregiving/caring_help/what_does_long_term_care_cost.html [11/11/08]

³ pbs.org/nbr/site/features/special/article/long-term-care-insurance_SP/ [11/11/08]

⁴ aarp.org/research/health/privinsurance/fs7r_ltc.html [6/07]

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