The AMERICAN RETIREMENT ADVISOR

A guidepost to your successful retirement.

Nine ways to plan for Long Term Care

Researched Provided by David S. Edge & David P. Schaeffer, CSA

Nine (9) ways to plan for Long Term Care

By David S Edge & David P. Schaeffer

Each month we get questions from folks about solutions for Long Term Care (LTC). It's a good thing to be concerned with, as statistically 70% of us are going to need LTC at some point in our life and only about 7% of us have prepared for it. LTC is also the number one reason folks go into bankruptcy in retirement years.

Concerns stretch from "we don't get enough money in our monthly Social Security checks to cover LTC" to "we would drain our life-long savings in a matter of several months if we have to pay for LTC all by ourselves".

The cost of Long Term Care can be expensive and averages somewhere in the $10,000 a month range depending on medical circumstances. What can you do to prepare and what are your choices?

Many times, folks will ask "what's the insurance cost"? Rather you need to be concerned about the actual cost of the Long-Term Care services.

Covering LTC planning takes into consideration all aspects including Income, assets, and if there is any access to free health care (friends, family and the government).

<u>No Help:</u>
<u>Medicare</u> will not cover any aspect of LTC and is for medical recuperative or acute care. It will not cover custodial, nursing, intermediate, memory, or disabled care. <u>Family</u> may not be able to help financially or physically, because professional care giving requires 24/7/365 care with the addition of legal certifications and skill training. They simply may not know or have the ability to help.

<u>Alternatives:</u>

1) Most folks look at traditional <u>Pay as you Go LTC</u> Ins. This works like car insurance where you pay, they raise your premiums and you keep paying. This is the most commonly purchased type of LTC insurance and can range from a low of $200 a year at age 40, to $10,000 at age 75. Did you notice it much cheaper at a younger age?

2) <u>Asset based LTC</u> is where you make a single premium deposit to the Insurance company and they will provide LTC from little as 2 years to as much as the rest of your life. The positive to this type is that in most cases your premium can be refundable in later years if you never use it or simply change your mind. If you keep it and never use it, your beneficiary will receive one and a half to as much as three times the initial deposit tax free.

3) If you have <u>temporary or permanent life insurance</u> a rider can be added to most policies that will provide a LTC benefit roughly equivalent to 2% of the death benefit which is paid monthly to LTC facility. Example: a $400,000 policy at a 2% rider would pay $8,000 a month for a period of time, based on how the rider was structured.

4) You can add a rider to a fully <u>Insured Savings Program</u> that will provide as much as 12% of the face amount in annual income for a period of 5 years to help offset the cost of LTC. After the 5-year period it will reduce the income to half the benefit of the LTC but will pay for lifetime.

5) You can repay your estate <u>by borrowing current savings</u>, if you have enough money to pay for the LTC. After the ill spouse passes away, the death benefit of a *currently in force life insurance* policy would repay the estate so that the surviving spouse could live off the dividends or principle for their lifetime.

6) You can qualify for <u>state and Federal aid</u>. The government allows the well spouse to preserve approximately $123,600 (for tax year 2018) in assets and allow the ill spouse to qualify for LTC benefits, providing the well spouse income is below $2,250 (for tax year 2018) a month.

7) <u>If you have too much money</u> you can purchase a one-year LTC insurance policy for a reasonable premium and spend down your assets, then qualify for the same benefits as in #6 above.

8) <u>Miller Trust:</u> You have assets of less than $123,600 but income over the qualifying amount of $2,250 per month. Federal Government allows a financial institution (Bank or Credit Union) to reverse your income, remove the amount more than the $2,250 and send a portion to the State and the balance to your nursing home, thereby qualifying you for State and Federal benefits.

9) <u>Reverse Mortgage:</u> If you owe less than 50% on your home and are over the age of 62, Federal Government created a program so seniors won't have to make mortgage payment in their retirement years. (YES!, your kids still get the house). By reducing your monthly bills, it frees up the mortgage payment money each month to pay for LTC.

<u>If you don't have LTC it's just a matter of talking to an expert to review your specific situation to determine which of these possible solution is the right one for you!</u>
<u>Call us! We can help!</u>

For information about planning for long term care…

Contact David P. Schaeffer
602-281-3898

David P. Schaeffer is a Certified Long Term Care Planning Consultant.
He holds the professional designation of CLTC®.