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LONG-TERM CARE

What's your plan for long-term care? Do you have one? Generally speaking, at least 70% of people over the age of 65 will require long-term care services at some point in their lives – but only 17% of baby boomers have a plan in place. *

Of course, **self-funding** is one option. According to the Genworth 2016 Cost of Care Study, the cost of receiving care continues to rise sharply year over year, especially for services in the home, where the vast majority of Americans receive long-term care and for a longer period of time than facilities. The average cost of home health care in 2016 was \$3,863 a month. Assisted living communities average \$3,628 per month, and the average cost of a semi-private nursing home room is \$6,844 per month. Depending on how long care is needed, not many people can afford that risk to their retirement portfolio without affecting their lifestyle or legacy.

A long-term care insurance policy is another option. The issues with these are that they can be expensive, they acquire no cash value, and the premiums may increase substantially over time. If premiums get to a level you no longer can afford or want to pay, your choices are then to decrease the level of service that is covered, or drop the policy altogether. Many people consider the policy then to have been a waste of money, although others point out that we all pay for car insurance and homeowners insurance and do not consider those policies wasted if we don't ever need to make a claim. Traditional long-term care insurance still remains one of the lowest cost options available. You can choose the amount of coverage, how long it lasts, and how long you'll have to wait before receiving benefits. You also can choose to have your benefits inflation adjusted, so that they keep pace with rising costs. Typically you pay an annual premium for life.

A newer option that may be of interest is a **life insurance policy with a long-term care rider, or one with a chronic illness rider**. The life insurance approach to long-term care coverage is fairly straightforward: you invest in a cash-value insurance product -- whole, universal or variable universal life -- and select your LTC coverage terms in the rider. Once you trigger your long-term care insurance coverage, it comes out of your policy's death benefit, usually on a prearranged schedule. At death, your beneficiaries get what's left of your life insurance. The

benefits in these riders are set at a fixed amount when you buy the policy; they are not inflation-adjusted.

Long-term care and chronic illness riders seem similar, but when it comes to filing a claim, there are crucial differences to consider. Both will eventually pay out 100% of the death benefit, but the long-term care rider pays for both temporary and permanent conditions, whereas the chronic illness rider generally pays only for permanent conditions.

The following case studies are examples of why it's important to understand the differences in the various types of coverage before purchasing a policy.

- Mary recently suffered a mild stroke. Due to quick medical intervention, doctors were able to stop the stroke in its tracks. Thanks to rehab in a nursing home and some home health care and therapy, Mary should recover in six to nine months. Fortunately, Mary owned a long-term care rider on her life insurance policy, the type of coverage that also pays claims for temporary long-term care conditions because it is a true LTC product.
- In another situation, Tom recently had a hip replacement and suffered complications that required recovery and extensive rehabilitation in a nursing home. Tom owned a life insurance policy with a chronic illness rider that he thought would assist with his bills. Unfortunately, he found out at claim time his policy would not pay because his condition was not "likely to last the rest of the insured's life".

Preparing for the future is the basic reason for financial planning. If you would like more information about preparing for the likely need for long-term care, please call your Client Account Manager, who will be glad to help.

**Some information in this article was provided by DBS, our partner in risk management. V.S.*

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