

LONG-TERM CARE INSURANCE PLANNER

This planner is designed to help you decide what kind of long-term care insurance is best for you and help you find the policy that closely meets your needs. Many insurers charge a lot more -- or less -- for very similar policies. No policy is exactly alike. As an added service to our clients, we shop the rates and benefits of a number of highly rated carriers to assure your satisfaction and peace of mind in making this important financial decision.

If you follow these steps, it will be easier to compare policies side by side:

Step 1. Try to determine, ahead of time, what type of care you think you will need from others beyond the assistance your own family members may be able to provide:

	<u>Yes</u>	<u>No</u>
Custodial Care	[]	[]
Intermediate Care	[]	[]
Skilled Care	[]	[]

This isn't easy, because it's often hard to anticipate your future needs, but try your best to decide if you're going to want access to one of the following. Custodial care is provided by someone without medical training who helps you with daily activities. Intermediate care includes occasional nursing and rehabilitative care supervised by skilled medical personnel. Skilled care includes 24-hour care provided by a skilled nurse or therapist.

Step 2. Decide where you would most likely be receiving the care?

	<u>Yes</u>	<u>No</u>
In-Home Care*	[]	[]
Nursing Home*	[]	[]
Adult Day Care	[]	[]
Assisted Living Facility	[]	[]
Other _____	[]	[]

*Typically available with all three levels of care -- custodial, intermediate, and skilled.

Most people prefer in-home care from an emotional viewpoint, although it may be very impractical and expensive to arrange. If you have no family members to help you at home, **in-home care could be prohibitively expensive**, especially if it requires skilled care. If you are totally disabled you will not be able to manage or supervise your caretakers and finding a reliable person that you like and trust may be difficult. Nursing homes are designed for 24-hour care and are best utilized for short-term stays. Adult day care is an option, but will probably require someone, such as a family member, who can drop you off and pick you up daily. **Assisted living facilities are increasingly popular, offering a good balance between independence and assistance.**

Step 3. Check out the facilities in the area in which you plan to live, make sure you're comfortable with them, and find out much how they cost:

	<u>Estimated Costs</u>
In-Home Care	_____
Nursing Home	_____
Assisted Living Facility	_____
Adult Day Care	_____
Other	_____

The insurance company is going to pay you a daily benefit that will be applied toward the cost of your care. Most of the costs above that daily benefit will have to come out of your own pocket. Therefore, find a facility that you'd be comfortable with, and then try to get a general idea of how much it would cost. Each facility may offer a different rate schedule for each level of care it provides, so make sure you understand the differences. For care within your home, contact a home care agency and ask them about the going rates for home nurses and therapists. Also consider costs associated with any modifications that may be needed for your home, such as wheelchair accessibility, handicap rails, etc.

Step 4. Try to estimate how much of the long-term care expenses you will be able to pay on your own: \$_____ per month.

Your financial planner may be able to give you an estimate of your retirement income available for health care. However, even a good estimate can be off the mark, so make sure your policy covers enough to avoid being financially strapped by long-term care expenses. Later, make sure your agent takes this information into consideration when he works out the terms of your policy. He should limit your out-of-pocket expenses to what you have indicated here.

Step 5. Try to arrive at a reasonable guess regarding when you might start using the benefits. _____

Again, it's hard to predict. But if you're in reasonably good health and you have a family history of longevity, that's something to consider. If you're already suffering from chronic health problems, you may need the benefits sooner rather than later. If it's more than 10 years from now, you can buy a long-term care policy with an optional inflation protection feature to help protect against the rising cost of health care. This can add significantly to the cost, but you get what you pay for. Typically, the insurance company will add an extra five percent to your daily benefit, compounded annually. Thus, if the policy provides a \$100 daily benefit now, it would rise to \$163 in 10 years.

Step 6. Determine whether you prefer a "tax-qualified" policy or a "non-qualified" policy:

	<u>Yes</u>	<u>No</u>
Tax-Qualified Policy	[]	[]
Non-Qualified Policy	[]	[]

- If you buy a **tax-qualified** policy, you may be able to claim some of the policy premiums (above 7.5% of your adjusted gross income) as itemized medical expenses on your tax return. The benefits you receive will not be subject to federal income taxation, up to a dollar cap. Most people who buy long term care insurance will not notice any significant tax savings, because the deductible portion of premiums have to be in-excess of the 7.5% (and other limits) and most people use their standard deduction.
- If you purchase a **non-qualified** policy, you will not be able to itemize the premiums. As to the benefits, the IRS has stated in a private letter ruling that the benefits on "health insurance plans" are not subject to federal income taxation.
- **Do not assume that a tax-qualified policy will automatically be more beneficial. Reason:** A tax-qualified policy **will have stricter guidelines as to when you can access the policy benefits.** You also may not be able to take advantage of the tax benefits. You may want to consult with a tax advisor on this subject.
- **Also, bear in mind that most companies will allow you to change a non-qualified policy to a tax-qualified policy with no penalty, if it becomes advantageous to do so at some future date.**

Step 7. Find an insurance agent that specializes in long-term care policies:

Curt Angstman – CA Financial Services

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Huntersville, NC 28078

(704) 875-1199

Long-term care insurance is very complex. Therefore, make sure you work with an agent who specializes in long-term care policies, and **don't limit your choices to someone you know or who is associated with your broker.** The agent should be able to help educate you and clarify any questions you have -- not only on policies he or she sells, but on others as well. **Try to avoid agents that work strictly with one insurance company, as an independent agent is free to represent as many companies as are available and has no pre-determined bias in recommending a particular company or product.**

Step 8. Ask your agent for the names of at least three different policies, from different insurers, that you can compare.

	<u>Policy A</u>	<u>Policy B</u>	<u>Policy C</u>
Insurance Company Name	_____		
Policy Name/Number	_____		

Step 9. Have your agent check the safety rating for each company.

A.M Best Company rates all insurance companies and is highly reliable.

	<u>A.M. Best Rating</u>	<u>Standard & Poors Rating</u>
• Company A	_____	_____
• Company B	_____	_____
• Company C	_____	_____

It may be a long time before you begin to submit claims. Therefore, you will want to make sure your insurance company will still be viable at that time.

Step 10. If you're considering buying a policy with your spouse, check how you qualify for a spousal discount.

Policy A: _____
 Policy B: _____
 Policy C: _____

In some cases, you may need to be married to qualify; in others you don't have to be formally married. Some insurers require that the policies be exactly the same, while others do not.

Step 11. Ask your agent to give you a list of the types of facilities that are included and how they are defined. Facilities may include nursing home care, in-home care, adult day care, hospice care, assisted living facilities, and other options.

Nursing Home Care (all levels)	Yes/No		
Home Care	Yes/No	100%_____	Other_____
Assisted Living (very important)	Yes/No	100%_____	Other_____
Adult Day Care	Yes/No	100%_____	Other_____
Alternate Care Plans	Yes/No		

Step 12. Find out the basic terms of coverage and reimbursement, as follows - The following three items basically determine your premium:

1. **Elimination Period:** This is similar to a deductible. It is the amount of time you pay for services out of your own pocket **before** the insurance policy takes over. Typically, you can select elimination periods of 0, 20, 30, 60, 90, 100 or 180 days, depending on the policy and insurance company. **A 100-day elimination period on a policy that pays \$150 daily amounts to a \$15,000 deductible each time you need to use the policy. Choose a deductible that you are comfortable with.**
2. **Benefit Period (or maximum):** Some companies tell you the length of time the policy will be paid; others just tell you the maximum value of benefits to be paid. The benefit period can typically range from 2 to 5 years, and **some may even have an unlimited lifetime period.** Normally, there is very little difference in the premium between a policy that pays 5 years only and one that pays lifetime benefits.
3. **Daily Benefit:** The amount the policy will pay for each day of covered services. Take into account the amount of co-payment that you could comfortably pay each day, without financial strain on yourself or your at-home spouse.

Step 13. Check into the requirements needed to activate the policy.

You will need to meet what is referred to as "benefit triggers" before the policy can begin covering expenses, and these can vary from policy to policy. Under most policies, you will be qualified for benefits when you meet certain conditions, such as: 1) The inability to perform **activities of daily living** ("ADLs"), which typically include bathing, dressing, transferring, toileting, eating, maintaining continence; and 2) **cognitive impairment**. Some plans require you to satisfy **either** condition (1) or (2); some require that you satisfy **both** (1 and 2) conditions. **Still others also allow for a third trigger, often referred to as "medical necessity."** This means that **your doctor determines if you need care due to an injury or sickness. Most policies only use two benefit triggers, however the plans that use three are more "user friendly" when it comes time to file a claim.** Also, don't be confused if a plan **requires** that your stay be "**medically necessary**" – this is not the same as medical necessity and is much more restrictive. The three triggers will be connected with an "**or**" – **ADL's or cognitive impairment or medical necessity.** **Remember that a "Tax-Qualified" plan is more restrictive by law than a non-tax qualified plan.** A tax-qualified plan requires that you must be "**chronically ill**" with at least a **90 day** stay **certified by a health professional**. Benefits can be triggered in **only two ways: Activities of Daily Living** (ADL's) – you must require "**substantial assistance**" with two of these activities or **Cognitive Impairment** – you must require "**substantial supervision**" with "**severe**" cognitive impairment (which is defined as being a threat to yourself or others). Medical Necessity - as determined by your family physician is, **by law**, not allowed as a trigger on tax-qualified plans and light disabilities are not covered.

Make sure you find out the precise requirements of each policy that you consider and that you completely understand them. Don't be afraid to ask questions.