

Long Term Care Insurance...

WHEN MIGHT IT BE RIGHT FOR YOU?

Case Study

The Pathak Group at Morgan Stanley

John¹ and his wife were in their mid-fifties and suddenly faced a grim reality – John’s mother was running out of money and needed long-term care. The only alternative was to have her move in with them.

Living space wasn’t an issue, as John’s home had plenty. However, John and his wife had totally underestimated the time commitment and emotional challenges associated with becoming caregivers.

- Safe-proofing their home
- Keeping track of and administering medications
- Frustrations of dealing with diminished capacity
- Loss of social freedom – caregiving became a 24/7 job

When discussing this with the couple, they asked how they might best protect their three children from the risks of facing a similar situation twenty or thirty years in the future. The conversation provided some sorely needed relief.

¹ Not his real name

Key Considerations...

The first step in evaluating how your family might best prepare for future uncertainties is to become acquainted with the options and related costs.

Depending upon the amount of care needed, long-term care often begins at home. If an elder's health declines to a point where in-home care is not practical, the next step is often assisted living and then permanent relocation to a nursing home.

Typical nursing home costs range between \$10,000 – 20,000 per month depending on geographic region and facility.

Funding Options

While Medicare covers nursing home stays for short periods following a qualifying medical procedure, daily, prolonged long-term care services are not covered by Medicare or health insurance. Medicaid does cover these services, but recipients must meet a number of financial eligibility requirements, often making this option a last resort.

In some cases, if an aging person has no heirs and has accumulated sufficient wealth, self-funding their care is a common choice. If no provisions for long-term coverage are in place, this can also be the only option.

Protection Strategies...?

In John's case, he and his wife were at a good age to consider long-term care insurance, the price of which is age-sensitive.

He opted for a "Linked Life/Long Term Care" policy, which is a combination of life insurance and tax qualified long term care insurance.

The advantage of this type of plan is that it provides coverage if you need long-term care as well as if you don't. One of the reasons some people shy away from more traditional, though less costly options, is that they only pay if the insured party *needs* long term care. Should they die without the need, the money spent for coverage is lost.

"I was totally unaware that this type of hybrid coverage was an option," John said happily after our conversation.

"Given my age and the coverage we'll get for either long-term care services or a death benefit, we're relieved to know our children will never find themselves in our current position. We're happy to be giving back to my mom, but it's a lot tougher than we imagined. Talking this over with our Financial Advisor has made a big difference!"



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