



## LTC Evaluation for Jane & John Doe

## Disclaimer

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LTC Evaluation is a planning concept designed to assist you in exploring long term care insurance options. This presentation is not intended to be a retirement, benefit or estate plan nor is it a specific recommendation for a retirement, benefit or estate plan. This material is for informational purposes only. Although many of the topics presented may also involve legal, tax, accounting or other issues, there is absolutely no intention of offering such advice and this presentation and any other oral or written communication should not be construed as such.

Individuals interested in this topic should consult their own professional advisors to examine tax, legal, accounting, or financial planning aspects of this topic. As you explore your planning needs with your legal and tax advisors, we hope that you find this analysis useful.

# Agenda

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A Brief Chat About the Need

What Long Term Care Insurance (LTCi) Is and How You Collect Benefits

Discuss LTCi Policy Features and Benefits

General Product Options - Strengths and Weaknesses

Potential Solutions to Longevity Concerns

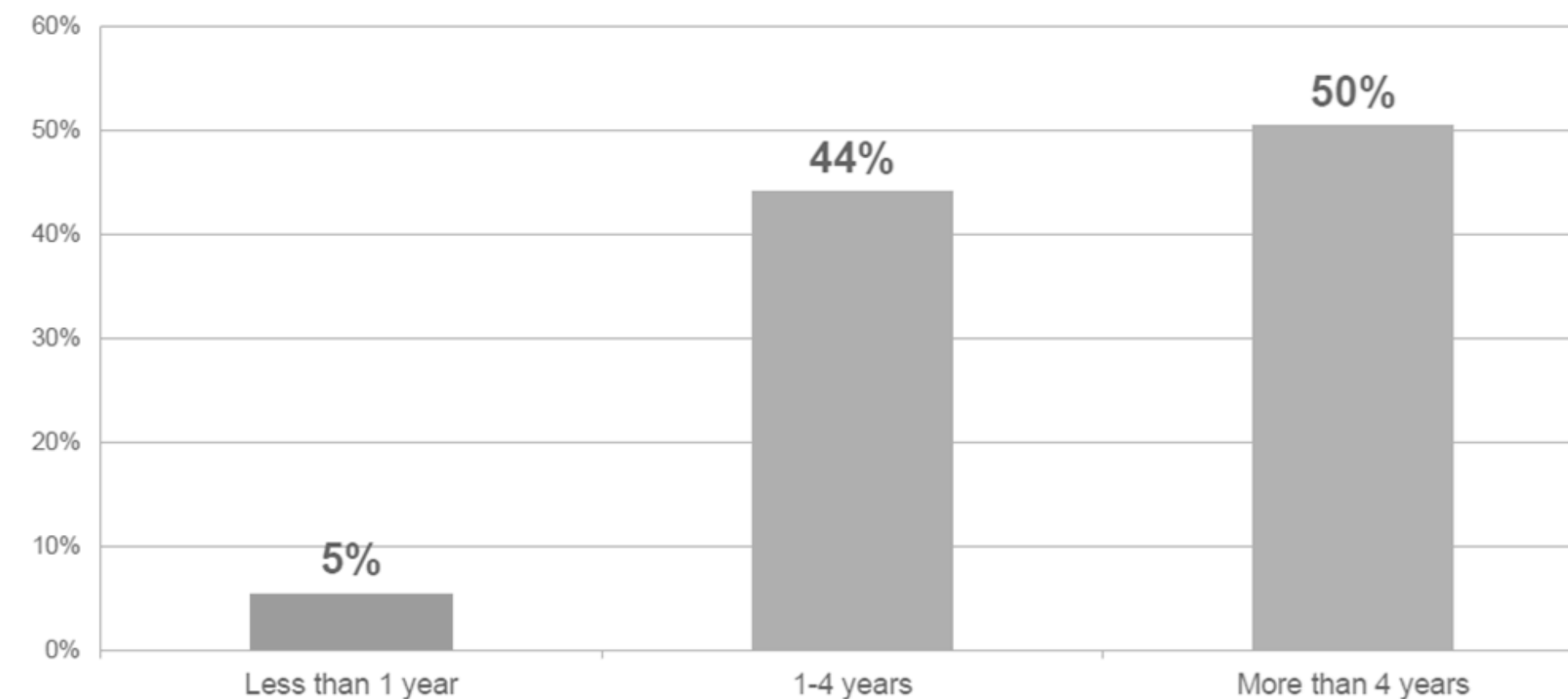
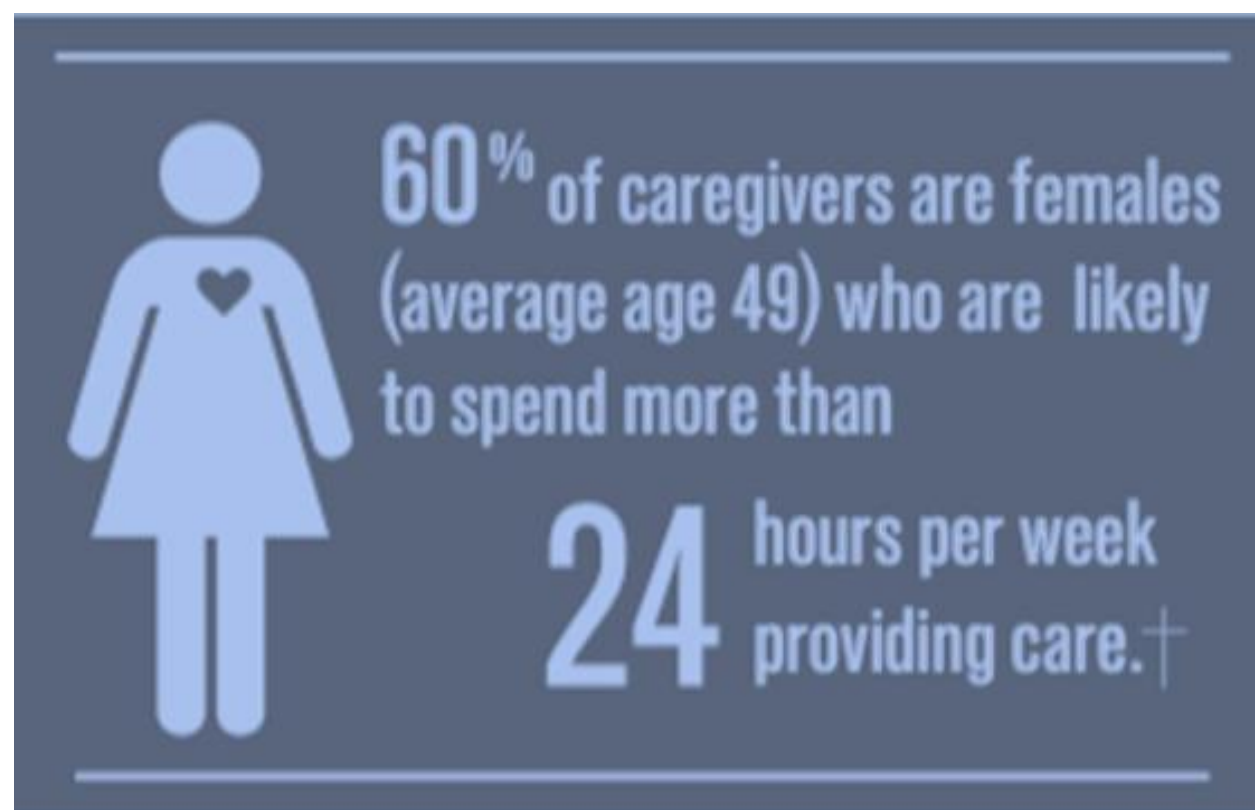
## **A Brief Chat About the Need...**

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## A Brief Chat About the Need...



Duration of family caregiving for relatives age 65 and older who need substantial help



Source: P. Kemper, H. L. Komisar, L. Alecxih, "Long-term Care over an Uncertain Future: What can current retirees expect?" *Inquiry Journal*, 42: 335–350 (Winter 2005/2006).

\*VerstaResearch, "2017 LTC Marketing and Thought Leadership Research, Findings from Surveys of Advisors and Consumers," October 2017. [http://newsroom.lfg.com/sites/lfg.newshq.businesswire.com/files/doc\\_library/file/Lincoln\\_LTC\\_Study\\_Part\\_1\\_Final\\_02.21.18.pdf](http://newsroom.lfg.com/sites/lfg.newshq.businesswire.com/files/doc_library/file/Lincoln_LTC_Study_Part_1_Final_02.21.18.pdf).

<sup>†</sup> Department of Health & Human Services, "Long-Term Services and Supports for Older Americans: Risks and Financing," *ASPE Issue Brief*, <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>, February 2016.

Wolff JL, et al. A National Profile of Family and Unpaid Caregivers Who Assist Older Adults with Health Care Activities. *JAMA Internal Medicine*. March 2016. Table 2, p.375.

## A Brief Chat About the Need...

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### The Impact on Women...

- For people over age 65 and who need substantial help, 7 in 10 family caregivers are women.
- Seven in 10 family caregivers for people with Alzheimer's disease are women.



- Women generally have higher health care costs than men because they have longer life expectancy.
- Single people generally have higher health care costs than couples because they do not have a partner who can provide care.

<sup>1</sup> Fronstin P, et al. Amount of Savings Needed for Health Expenses for People Eligible for Medicare. EBRI. October 2015, p.3.

<sup>2</sup> Banerjee S. Differences in Out-of-Pocket Health Care Expenses of Older Single and Couple Households. EBRI, January 2016, p.1.

# A Brief Chat About the Need...

The Cost of Care in Your Town...

Today & In 20 Years

## Monthly Median Costs: *San Jose Area<sup>Ⓢ</sup>, CA (2019 vs. 2039)*

In-Home Care <sup>Ⓢ</sup>	
<b>Homemaker Services<sup>1</sup></b>	<b>\$6,197</b>
2039* Cost	<b>\$11,192</b>
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<b>Home Health Aide<sup>1</sup></b>	<b>\$6,244</b>
2039* Cost	<b>\$11,277</b>

Community and Assisted Living <sup>Ⓢ</sup>	
<b>Adult Day Health Care<sup>2</sup></b>	<b>\$1,907</b>
2039* Cost	<b>\$3,444</b>
<hr/>	
<b>Assisted Living Facility<sup>3</sup></b>	<b>\$5,853</b>
2039* Cost	<b>\$10,571</b>

Nursing Home Facility <sup>Ⓢ</sup>	
<b>Semi-Private Room<sup>2</sup></b>	<b>\$11,133</b>
2039* Cost	<b>\$20,107</b>
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<b>Private Room<sup>2</sup></b>	<b>\$13,566</b>
2039* Cost	<b>\$24,502</b>

Genworth Cost of Care Survey 2019, conducted by CareScout®, June 2019

<sup>1</sup> Based on annual rate divided by 12 months (assumes 44 hours per week)

<sup>2</sup> Based on annual rate divided by 12 months

<sup>3</sup> As reported, monthly rate, private, one bedroom

\* Estimates how much care might cost in future years based on 3% annual inflation

## **What LTCi Is and How You Collect on Benefits**

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## What LTCi Is...

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LTCi covers custodial care, which provides you with the services you need when you are unable to perform activities of daily living. **LTCi covers types of care that your health insurance, Medicare and Medicare Supplements typically do not.** This care is commonly provided through:

- Home Health Care
- Adult Day Care
- Assisted Living
- Respite Care
- Hospice Care
- Alzheimer's Facilities

## How You Collect Benefits

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In order to make a claim to collect on LTCi benefits, your physician must attest that you are unable to perform 2 of 6 “Activities of Daily Living,” which include:

- Bathing
- Dressing
- Eating
- Transferring
- Toileting
- Continence

...or have a cognitive impairment such as dementia/Alzheimer’s that prevents you from caring for yourself (confirmed by your physician).

## **LTCi Policy Structure – Features and Benefits**

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# LTCi Policy Structure

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## INDEMNITY VS. REIMBURSEMENT

<b>Indemnity</b>	<b>Reimbursement</b>
<ul style="list-style-type: none"><li>• No receipts or bills are submitted to the insurance carrier</li><li>• Monthly payment is automatically sent to the policy owner</li><li>• Policy owner will be paid the full amount elected, even if his or her long-term care expenses are less than the benefit</li></ul>	<ul style="list-style-type: none"><li>• Long-term care receipts and bills must be submitted to the insurer before the benefit is paid</li><li>• The long-term care provider will pay only for expenses incurred, up to the daily/monthly benefit amount selected</li></ul>

# LTCi Policy Structure

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## BENEFIT PERIOD AND AMOUNT

### **Benefit Period & Amount**

The total amount of coverage available to the client is the daily or monthly benefit multiplied by the benefit period. (Ex. \$5,000/\$150 monthly/daily benefit for 4 years creates a \$240,000 pool of money). The monthly/daily benefit amount is the maximum amount of expenses covered in any single month/day. The benefit period does not represent the length of coverage, but instead is used as a multiplier to calculate the total pool of money.

# LTCi Policy Structure

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## ELIMINATION PERIOD

### Elimination Period

Long-term care insurance has a deductible typically referred to as an elimination period. The elimination period represents the length of time you must pay for covered services before the policy begins paying the benefit. Typically, insurance companies count service days (not calendar days). You choose the length of your elimination period when you purchase your policy. Elimination periods for nursing home and home health care may be different, or there may be a single elimination period that applies to any covered service. Elimination periods are typically 90 days, but variations from 20 days to 365 days are available.

# LTCi Policy Structure

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## INFLATION PROTECTION

### Inflation Protection

Inflation protection can be one of the most important additions to a long-term care policy. This feature ensures that your policy keeps up over time with the rising costs of long-term care coverage. The dollar amount of the increase depends on whether the inflation adjustment is "simple" or "compound." "Simple" will increase the benefit by the same dollar amount per year, whereas "compound" increases the dollar amount by a fixed percentage every year (typically 3% or 5%).

## **Traditional & Hybrid (Life/LTCi) Plans – Strengths and Weaknesses**

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# Traditional & Hybrid Plans

## Product Options

Traditional LTCi	Hybrid Life/LTCi
<p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• Lower initial premium</li> <li>• Greater product customization</li> <li>• State by state partnership approval</li> </ul> <p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• Frequent, substantial rate increases are likely*</li> <li>• Continuous annual premium only option</li> <li>• “Use it or Lose it”               <ul style="list-style-type: none"> <li>• Nothing payable upon death</li> <li>• Nothing payable upon surrender</li> </ul> </li> </ul>	<p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• Fully guaranteed, fixed premium</li> <li>• Single Premium and “Short Pays”</li> <li>• Live, Die, Quit               <ul style="list-style-type: none"> <li>• <b>Live</b> – LTCi Pool</li> <li>• <b>Die</b> – Life Insurance Death Benefit</li> <li>• <b>Quit</b> – Receive some or all premium back upon surrender.</li> </ul> </li> </ul> <p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• Higher initial premium cost</li> <li>• Less product customization</li> <li>• No state partnership Approval</li> </ul>

\*Nearly every major insurance carrier participating in the traditional LTCi market has substantially increased rates on existing plans.

## Potential Solutions to Longevity Concerns

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## Current Market Options

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**Mutual of Omaha  
Custom Solution**

- **Live**
  - \$5,000 Monthly Benefit
  - \$240,000 Pool of Money
  - 4 Year Benefit Period
  - 3% Compound Inflation Rider
- **Die**
  - No Death Benefit
- **Quit**
  - No Surrender Value

**\$7,001 Combined  
Annual Premium**

### **Additional Details:**

- **Unique Benefits:** Shared Care, Joint Waiver of Premium, Partnership
- **Potential Drawbacks:** No Liquidity, No Death Benefit,
- **Other Details:** Elimination Days: 90 Facility / Zero Home, Full Underwriting for LTCi

## Current Market Options

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### Lincoln Financial MoneyGuard

- **Live**
  - \$5,000 Monthly Benefit
  - \$251,018 Pool of Money
  - 4 Year Benefit Period
  - 3% Compound Inflation Rider
- **Die**
  - \$120,000 Death Benefit
- **Quit**
  - 80% Return of Premium

**\$22,886 Combined  
10-Pay Premium**

- **Unique Benefits:** Simplified Underwriting, Guaranteed Premium, Return of Premium Options, Death Benefit for Each Client
- **Potential Drawbacks:** No Waiver of Premium
- **Other Details:** Zero Day Elimination Period

## Current Market Options

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**OneAmerica  
AssetCare**

- **Live**
  - \$8,800 Monthly Benefit
  - Unlimited Pool of Money
  - Unlimited Benefit Period
  - No Inflation
- **Die**
  - \$293,330 Joint Death Benefit
- **Quit**
  - Guaranteed Cash Value

**\$11,557 Combined  
Annual Premium**

- **Unique Benefits:** Guaranteed Cash Value, Guaranteed Premium, Survivorship Death Benefit
- **Potential Drawbacks:** Limited Waiver of Premium
- **Other Details:** Elimination Days: 60 Facility / 30 Home, Full Underwriting for Life and LTCi

# Current Market Options

## LTC Evaluation

Prepared for: Mr. Client, 09/22/1956 | Mrs. Client, 03/16/1959

### LTC Benefits in Year 20:

- Approximately \$8,800 Monthly Benefit
- Minimum 4 Year Benefit Period
- Reimbursement Benefits

- Rising cost of Long Term Care
- Sacrificing standard of living in retirement years
- Paying premium for Long Term Care insurance and not using the benefit
- Outliving retirement assets
- Government Dependency (Medicaid)
- My income decreasing and affecting my ability to pay for Long Term Care Insurance
- Long Term Care expenses diminishing the legacy I leave for my heirs
- Accustomed to a style of living consistent with that of others in Missouri

### Current Market Options:

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## Next Steps in Exploring LTCi Options

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- Application
- Exam
- Senior Questionnaire
- Attending Physician Statements

The underwriting process is typically 4-6 weeks in duration.



**Questions?**