

Long-Term Care Insurance: Does it Make Sense For You?

I frequently encounter clients or parents of clients who are facing the prospect of moving into a long-term care facility. Sometimes it is an assisted living facility, but most often it is a skilled-care facility.

Regardless of the facility, the financial impact is substantial and may be devastating. If the elderly person is without any liquid assets and skilled-care is required, beyond the care provided in an assisted living facility, Medicaid may be available. Otherwise, it is private pay.

A typical assisted living facility charges from about \$1,600 to \$2,500 per month. A long-term care facility providing skilled care charges between \$95 and \$150 per day.

At these rates, a person's assets can be quickly dissipated. In yearly terms, the costs for an assisted living facility may range from \$19,000 to \$30,000 and skilled nursing care may range from \$35,000 to \$55,000 or more. A stay of at least 3 years in a long-term, skilled-care facility (the national average) will drain \$105,000 to \$165,000 from the estate of the elderly person.

Until recently, there was little competition for long-term care insurance. Things have changed. There are now many competitive policies from which to choose; my wife and I purchased one of them.

It is not my intent in this column to promote any particular insurance company or long-term care insurance policy. Rather, my intent is to motivate you, the reader, to investigate this kind of insurance. It may not be right for you. Each person must weigh the benefits and costs for themselves. For my wife and me, it appears to make sense.

The policy I purchased provides for a daily limit of \$150 for skilled care or assisted living care. I also added a 5% inflation rider. There is no limit on the amount of benefits. They are paid for as long as the care is needed.

Although we must pay insurance premiums for life, if either one of us has to move into a care facility, either assisted living or skilled care, our premiums are suspended.

Now, the question is, does it make sense to pay these premiums for life? It depends. Our premium, after the first year, will be \$2,016 per year for both of us. That means our monthly outlay will be \$168 per month. In 20 years, we will have paid \$40,000 in premiums. But one year's stay at a skilled care facility will likely be more than \$40,000. If the stay is more than one year, the benefit is positive.

For us, \$168 per month buys economic security. More importantly, however, is the peace of mind such insurance provides us. If one of us becomes ill and requires an assisted living or skilled care facility, the financial impact will be either nil or slight. It will not drain our financial resources, and it will not force a substantial change in life style for whichever one of us remains at home.

There is also another positive benefit. Having long-term care insurance will alleviate or avoid the concerns of our children and grandchildren. I regularly see clients who know that at least one of their parents should be in some kind of a care facility. But they also know that doing so would be financially draining on the parent who remains at home.

Or, some children may wish to avoid a care facility for their parent in order to preserve whatever small estate exists. In other words, the thought of receiving an inheritance colors the judgment of children. They ask, "Why pay \$50,000 a year or more for my parent when a we can move in with my parent and provide care? If the money is not spent on care, it will eventually go to us."

However, this places the children in an awkward position. It generally causes great stress in their families. It may also destroy an otherwise good relationship between parent and children, especially if care is needed for an extended period of time.

These intangible considerations were major factors to us in deciding to purchase long-term care insurance. Whether or not we ever receive benefits greater than what we have paid is not significant to us. In fact, we hope that we never have to collect on our policy. Regardless of whether we collect, the peace of mind we purchased is priceless.

To find out more about long-term care insurance, you can obtain a 45-page booklet entitled "A Shopper's Guide to Long-Term Care Insurance" from the National Association of Insurance Commissioners, 120 West 12 th Street, Suite 100, Kansas City, Missouri 64105-1925, or by e-mail at www.naic.org. You can, of course, also contact your insurance agent or consult the Yellow Pages under "Insurance."