LTC Financial Solutions

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Meet Bob

My new client Bob is 66 and married. His wife already has a long term care plan, and he never really thought about it…Why would he, as men never get sick or die, right?

Even if he does, he felt he had plenty of savings to just pay for care if he ever needs it.

Then his brother-in-law had a stroke, and Bob now sees what that's doing to his sister. He doesn't want to be that guy! He doesn't want to compromise his wife's quality of life due to poor planning.

He now understands that a long term care plan is a gift for the family as it helps to reduce physical, emotional and financial burdens that were never intended but too often overlooked.

He now sees that it is selfish not to own long term care coverage if you can find a way to plan for it wisely.

After exploring Bob's financial situation, we learned that he has a life insurance policy in place that he purchased when he was 25 and had kids to raise. The kids are grown, and he just kept it in case he died early.

Today, death is not the biggest worry. Living and needing care will be tougher on the family financially.

It turned out that the life insurance had a cash value of $132,415.00 and a death benefit close to $300,000. He was still paying premiums at nearly $1800 per year.

The Pension Protection Act allows us to move funds tax-free from life insurance to long term care insurance via a 1035 exchange.

So Bob was able to transfer the $132,415.00 to a plan that will pay $8327.62 per month for six years if he needs help with a cognitive impairment like Alzheimer's disease, or if he needs help with things like getting up out of bed and chairs, eating, bathing, toileting, or getting dressed. That's a total long term care benefit of $599,588.40.

If he never needs care, his family will get a death benefit of $199,862.00.

If he uses all the money for care, his family is still guaranteed to receive $39,972.56.

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All of these benefits are tax-free and won't affect Bob's gross income or increases his taxes. Alternatively and without insurance, if he had to start converting assets to income, he would be writing bigger checks to the IRS, and his Medicare premiums would likely increase.

No, his family won't get the nearly $300K from the life insurance he previously had, but today he has other assets he can now leave behind, knowing that he won't use them up if he has a stroke, like his brother-in-law.

And he no longer needs to pay the $1800/year for the life insurance!

This is a win for Bob, any way you look at it!

Have you looked at the cash value in your life insurance policies? Have you considered that there may be wiser ways to use those funds to protect your family if you don't just die but need help living near the end of your life? Ask me. I can help.

Meet Dan & Katie

Dan is 49 and Katie 46. They told me when we me that they believe LTC planning needs to be a part of their financial plan, because it is such a big expense. Dan wants to have peace of mind knowing that his family will still be okay if life throws a curve ball.

His uncle had Alzheimer's disease and was bedridden for the last several years of his life in a memory care unit.

Dan and Katie both have very good jobs and have been contributing the max to both retirement plans as well as investing in some properties and other stocks, etc. They will also both have good pensions along with social security income when they retire. They want to make sure their hard work is passed on to their heirs and not just tossed out and gone because one of them is in a long term care situation.

They don't want to overkill and buy a Rolls Royce plan; instead they just want something that will act as a foundation when care is needed – so they go to the insurance first and preserve assets.

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Dan was sure he doesn't want to continue paying for a plan throughout their retirement, and they are not in a position to put in a lump sum to just pay once, so we searched out shortened payment options. He was concerned about a company increasing premiums in the future, when they are retired and may not want to afford the increase.

They also want to make sure that, because memory loss tends to last longer than other LTC needs, and they've already seen that in their own family, they don't want to run out of benefits.

They were also concerned about not using the plan after paying into it over a long period. They want their kids to get something if they don't use it.

We designed an asset-based plan, built on a life insurance chassis, so premiums can never be increased. This is a second to die plan with a lifetime LTC rider. That means that if either of them need long term care benefits, the money will never run out as long as one of them is alive.

They are paying $8100 per year for 10 years, and will be done paying for this plan at ages 59 and 56.

Over 10 years, they will pay $81,000. If they both die in a train wreck, their kids will get $165,000. It's not designed to make them rich, but to get a return on premiums paid plus interest. In their case, because they are young, the death benefit is bigger.

If either needs care, they will get $60,000 annually for as long as they live. If they both need care at the same time, they will get $120,000 annually, and it won't ever run out.

Will that be enough? We don't know. They may need $8000/month for two years and have to use some of their own money. Or they may need $4000/month for 10 years and have enough. Dan and Katie see that if care costs more than what the plan covers, the person on claim can use their pension check to cover additional costs without the spouse at home being concerned about all the other expenses. There is enough income at home to support household needs.

The pieces of the puzzle we don't get are what will happen, when will it happen and how much will care cost for that thing? We do know that they will each receive a $60,000 lifetime annual coupon to cover their needs.

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Meet Carly

Carly is 58 years old and married. She inherited some money when her dad passed away and wanted to leverage it wisely, to make her dad proud.

Because her mom had suffered from dementia, and her dad had had the foresight to purchase long term care insurance years prior, Carly felt that it would be important to protect her family in the same manner.

She was concerned about a not using the plan – what would happen to the money? One option she is considering in the future is moving into a continuing care retirement community (CCRC) if her husband predeceases her. If she did that, she may not need the insurance at all.

She decided on a plan that vests 100% of her premiums in six years. This means she gets a slightly lower long term care benefit but if she decides to cancel the policy at any time after year six, she would be refunded 100% of what she had deposited.

Carly deposited $96,818 into a plan that will pay $96,991 if she dies without needing care. If she decides to cancel, she will be refunded the full $96,818.

If she needs long term care services, this plan will start this year at a $4000 monthly cash benefit for six years. That benefit will grow by 3% compounding inflation for the rest of her life, so at age 80, the benefit will be $7441/month. At that time, her total pool of benefits will be $577,591 for care in any environment. If she uses the whole death benefit on care, there is a guaranteed residual death benefit of $19,200 (20% of the initial $96,000 death benefit).

This is an indemnity plan. Once she qualifies for care with one of the two triggers we discussed earlier, she will receive a check for the full monthly benefit to use any way she wants, and to pay anyone she wants – without ever having to submit a bill to the insurance company.

If she doesn't need the whole benefit in any month, she can put the rest in the bank for future needs.

This kind of plan works well if one spouse is uninsurable. The covered spouse can share the benefits – so be nice to your spouse! You might need their benefits one day.

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Meet Diane & Paul

I moved to Florida in 1996 to help my grandparents when Grandma's Alzheimer's disease had progressed enough that Grandpa couldn't help her all by himself any longer. The details of this story are in my second podcast episode, if you'd like to learn more about my introduction to that disease.

As a result of seeing my grandpa spend all of his assets to qualify Grandma for Medicaid, Paul and I decided to apply for LTC coverage when we were 35 years old. I was told that we were too young to be considering this insurance, but because of what happened with Grandma in her 60s, we decided to apply.

At age 40, I was diagnosed with Multiple Sclerosis. I don't believe I have it, I have no symptoms and I'm not taking any medication, but there is a plaque, or scar tissue, in my brain that looks like MS caused it. I had the lumbar puncture and was advised that my spinal fluid also signifies MS.

I was depressed for over a year because the only people I knew with this disease were in wheelchairs or used a lift to get out of bed. I thought I was doomed. I read a book by Ann Baroch who had healed herself from MS. She was the only person who shared that there is a benign form of the disease. I claim that one!

Today, we eat cleaner, clean our home with non-chemical products and use organic soaps, shampoos and health products to keep nasty chemicals out of my blood. It's working!

And I have to thank God for leading me into this profession so I would know about LTC insurance, and own a plan, before my diagnosis. No matter how healthy I feel, MS is still showing in my medical records. I am uninsurable and couldn't apply for insurance coverage today.

When we bought our coverage, the linked benefit plans were not yet available, as the **Pension Protection Act** that allows them to be offered wasn't passed until 2010. Due to health, we have what we have and are grateful.

When we bought our plan in 2003, the benefits were $130/day, 90 day elimination period, 5% compounding annual inflation growth and unlimited lifetime benefits. Neither of us will ever run out of benefits.

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Today, 16 years later, the daily benefit is 283.77/day and still growing every year. We pay $2076/year for this coverage and have never had a rate increase. If we do get an increase, I will likely shorten the benefits from unlimited to 10 years, which is still a long time. I will not reduce the daily benefit as costs of care keep increasing.

Our plan qualifies for the state **Long Term Care Partnership** protection that is available in 44 states, including Florida.

This is a partnership between the state and the insurance companies. The state agrees to "disregard" assets equal to the amount of benefits paid for care, and you may be eligible for Medicaid benefits to pay for care after your insurance is exhausted.

This protection won't matter as long as we have unlimited benefits and a daily benefit large enough to cover all costs, but if we need to reduce benefits at some point, or if costs of care exceed our coverage, it will have a huge impact.

If you would like to learn more about the State Partnership Law or the Pension Protection Act, please come to a class, email me, open a chat conversation from the website or submit a Question of the Week". I'll be happy to discuss how these laws may be beneficial for your family.

If you have read this far, I thank you. There are so many ways to build a plan and multiple options to fund it – a lot more that what is shared in these examples.

If you would like to learn if long term care planning is a good option for you, let's meet or have a phone conversation. We will first determine if planning is appropriate for your family.

If it is a good way to protect your family, assets, choices, etc., then we will build a rough draft of a plan together so I can research and find which plans would be best at fulfilling your wishes with fair rates.

After we review the numbers and details of the plans I selected, we can discuss whether or not to adjust any variables or consider other carriers.

Once we find the company and the benefits we like, I will help you apply for coverage and stay with you throughout the underwriting process, keeping you informed of the status of your application, and after.