

Americans are living longer, and that means a higher chance of requiring long-term care. Long-term care insurance can help you plan for the unexpected and protect your financial legacy.



Planning ahead

You can't know for sure if you'll need long-term care or for how long, but you can plan for the possibility that you'll one day need expensive long-term assistance if health problems result in a loss of independence. Studies suggest that almost 70% of those over age 65 will need some type of long-term care for three years, and 20% will need care for more than five years. More than two-thirds of those needing care will require nursing home services. But Medicare does not cover long-term care, and nursing home care averaged \$80,000 a year in 2009, according to the U.S. Department of Health and Human Services. A home health aide is expensive as well; in fact, hiring one can cost as much as \$21 an hour, more than \$500 for round-the-clock care.¹

The chances of needing that level of care increase as we age. Studies suggest that almost 70% of those over age 65 will need some type of long-term care for three years, and 20% will need care for more than five years. Having a plan in place may help you feel more secure in retirement, offering peace of mind knowing you're better able to manage your financial situation and access quality care, if and when you need it.

It makes sense to work with your financial advisor to mitigate some of the financial risks through adequate long-term care insurance to avoid this potentially financially – and emotionally – devastating scenario.

What is long-term care?

Long-term care provides medical and personal care for people of all ages who can't independently perform basic daily living activities, such as bathing, dressing, eating and getting around, due to illness, injury or cognitive disorder. Care is available in a number of settings, including private homes, assisted-living facilities, adult daycare centers, hospices and nursing homes.

Long-term care is available in three basic forms:

- **Skilled care:** Continuous care, ordered by a physician, designed to treat a medical condition. This care is performed by skilled medical personnel, such as registered nurses or professional therapists.
- **Intermediate care:** Intermittent nursing and rehabilitative care provided by skilled medical personnel under the supervision of a physician.
- **Custodial care:** Personal care that's often given by family caregivers, nurses aides or home health workers who provide assistance with activities of daily living. Under the health care law, insurance companies can take into account only five things when setting premium costs: age, zip code, tobacco use, individual/family and plan category. Plans are available in five categories: Platinum, Gold, Silver, Bronze and Catastrophic.

Comparing long-term care insurance policies

Of course long-term care insurance comes at a price, but the cost depends on many factors, including the type of policy and your age at the time you purchase the policy (most consider mid-50s the ideal age to begin considering LTC insurance). It's important to shop around and compare several policies before making a decision. Read the documents carefully and make sure you understand the benefits, exclusions and provisions. Once you find a policy, check insurance company ratings to find out if the company is financially stable.

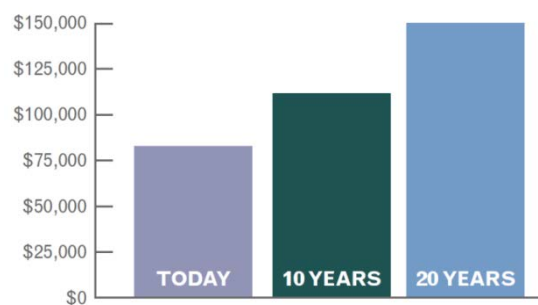
Before you buy a policy, pay close attention to these important features:

- **Benefit amount:** The daily benefit amount is the maximum your policy will pay for your care
- **Benefit period:** The length of time your policy pays benefits
- **Elimination period or waiting period:** The number of days you'll pay for care before the policy begins paying, especially when it comes to treating pre-existing conditions
- **Types of facilities covered:** Private homes, assisted living facilities, adult day care centers, hospice and nursing homes
- **Guaranteed renewability:** The ability to maintain coverage despite changes in your health
- **Range of care:** Coverage for different levels of care
- **Inflation protection:** Usually an optional rider to protect against inflation, increasing your benefits by a certain percentage each year
- **Any exclusions:** Certain conditions may not be covered
- **Premium increases:** Whether your premiums will increase during the policy period
- **Return of premium:** Non-forfeiture benefits if you cancel the policy after paying premiums for a certain number of years
- **Prior hospitalization:** A hospital stay may be required before you qualify for benefits

The cost of long-term care is rising

The average national cost of a one-year nursing home stay is \$80,000, and in many states the cost is much higher. In the future, long-term care is likely to be even more expensive. If costs rise at just 3% a year, in 20 years, a one-year nursing home stay will cost approximately \$135,133.²

THE COST OF LONG-TERM CARE IS RISING



Where do we go from here?

Deciding if long-term care insurance is right for you depends on your personal circumstances and your anticipated future needs. Some people choose a policy to help:

- Protect assets
- Add options for quality care
- Relieve family and friends from the stress of providing care
- Preserve their independence, dignity and financial freedom

1. Do it yourself: figure out what kind of insurance is right then go online and find the right company.
2. Let us help: North Star can help you determine what kind of long-term coverage is right for your particular circumstance.

Contact us today to get insured on or off the exchange!

(216) 202-0202 or mkangas@ns-ag.com

Mark Kangas, CFP®

Owner & Senior Investment Executive

¹ National Clearinghouse for Long Term Care Information, Department of Health and Human Services www.longtermcare.gov/LTC/Main_Site/Paying/Costs/Index.aspx, 2010

² Broadridge Forefield, 2012