

## **The Law and You**

### **Long-Term Care Insurance: An Important Consideration**

You may have at one time or another considered how you will be treated if you need long term care. You may also have been concerned about how you would pay for such care.

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

Regardless, the financial impact is substantial and could be devastating, particularly for the spouse who will remain at home. Medicaid may or may not be available. If not, "private pay" is the only option.

A typical assisted living facility charges from about \$1,800 to \$2,700 per month. A long-term care facility providing skilled care charges between \$120 and \$200 per day, depending on how luxurious the facility is.

At these rates, a person's assets can quickly dissipate. In yearly terms, the costs for an assisted living facility may range from \$21,000 to \$33,000 and skilled nursing care may range from \$40,000 to \$75,000 or more. Three years in a long-term, skilled-care facility will drain \$120,000 to \$225,000 from the estate.

There are now many competitive insurance policies from which to choose. A few years ago, my wife and I purchased such a policy.

It is not my intent in this column to promote any particular insurance company or policies. Rather, my intent is to motive you to investigate this kind of insurance to see if it is right for you. For my wife and me, it makes sense.

The policy I purchased provides a daily limit of \$150 for skilled care or assisted living care, whichever care level is needed. My policy also includes a 5% inflation rider, so

my daily rate increases by 5% each year. There is no limit on the amount of benefits. They are paid for as long as the care is needed.

We may have to pay insurance premiums for life, but our premiums are suspended if either one of us has to move into a care facility.

Now, does it make sense to pay these premiums for life? It depends. It's an economic gamble of sorts.

Our premium is about \$2,000 per year for both of us. In 20 years, we will have paid \$40,000 in premiums. But one year's stay at a skilled care facility will likely be far more than \$40,000. If the stay is more than one year, the benefit is positive.

For us, \$167 per month buys economic security. More importantly, however, is the peace of mind. If one of us becomes ill and requires an assisted living or skilled care facility, the financial impact will be minimal. It will not drain our financial resources, and it will not force a substantial change in life style for the one who 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 having a parent in a care facility 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 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 them and their parent, especially if care is needed for an extended period of time.

These intangible considerations were major factors to me and my wife. Whether or not we ever receive benefits greater than what we pay in premiums is not significant to us. In fact, we hope that we never have to collect on our policy. On the other hand, the peace of mind we purchased is priceless.

To find out more about long-term care insurance, you can obtain a booklet entitled “A Shopper's Guide to Long-Term Care Insurance” from the National Association of Insurance Commissioners. Their web site address is [www.naic.org](http://www.naic.org). Once there, select “NAIC Store” and then click on “Ordering and Shipping Information.” You’re on your own from there.