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for those
you care about

Long-Term Care Insurance: Should You Buy It?

Each year, about 7 million Americans receive some type of long-term care. Long-term care refers to different kinds of help that people with chronic illnesses, disabilities, or other conditions need to function day-to-day.

Most people only need help with simple daily activities like bathing, dressing, and preparing meals. Others need skilled nursing care. Long-term care includes a wide range of services, and people get this care in their homes, in the community, or through other living arrangements, such as congregate living, retirement communities, assisted living, or nursing homes.

Depending on care needs and living arrangements, long-term care services can be expensive. Neither employer health insurance nor Medicare pays for long-term care services for an extended time.

Long-term care insurance helps you pay for these services. It generally covers nursing home care, home care, assisted living, adult day care, and other services. Sometimes these services could include paying to modify your home so you could continue living there safely.

The cost of long-term care insurance depends on what type of coverage you buy and at what age you buy it. The older you

are when you buy, the higher your monthly premium will be. It can cost thousands of dollars a year. That's why there are several things to consider before deciding whether long-term care insurance is right for you.

Things to Consider Before You Buy:

Low income. If your income is low or will become low in the years ahead and you have few assets, spending thousands of dollars each year for long-term care insurance might not make sense because you may qualify for Medicaid benefits in a short amount of time.

Support system. You might have family and friends who can provide some of your long-term care should you need it. Think about whether you would want this.

Premiums. Decide whether you can afford to pay the premiums for long-term care insurance both now and well into the future without breaking the bank. Remember that premiums may go up and your income may go down.

Out-of-pocket payments. You already might have enough money in assets and investments to cover out-of-pocket expenses for long-term care. You may want to discuss this with a financial

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advisor or lawyer who specializes in elder law or estate planning and others who know about long-term care services. If you have enough money but want to save your assets for your heirs, you might want to consider buying long-term care insurance.

Why People Buy Long-Term Care Insurance

- To save assets for heirs;
- To keep family members from having to provide care;
- To allow them to live independently at home longer;
- To make it easier to get into the nursing home or assisted living residence of their choice.

Tips for Deciding When to Buy

- Decide when to buy based on your health, family medical history, needs, finances, lifestyle, and other factors.
- The older you are, the higher your premiums will be.
- Some companies might offer you a discount if you buy a policy when you are healthy.
- If you already have a serious condition or need help with daily activities, some companies may deny you coverage. If you have a condition you think may keep you from getting coverage, ask for an informal opinion before you fill out an application.

Tips to Help You Start Looking for Coverage

Your State Health Insurance Assistance Program (SHIP) provides free long-term care insurance counseling. Check the

government section of your local phone book for a program nearest you.

Ask your state insurance department for a list of long-term care insurance policies approved for sale in your state. Find out if there were complaints about any of the policies or companies that sold them.

Do some additional research to make sure the policy you're buying comes from a good company that is financially stable and has experience with this type of insurance. Organizations such as Standard and Poor's, Moody's, and AM Best rate the financial strength and viability of insurance companies. Compare information and costs from two or three major companies. Find out how often the companies increase their premiums.

Some employers and associations offer this type of insurance. See if your employer offers long-term care insurance. A group rate through them may be less expensive than buying an individual policy.

Tips to Help You Choose the Right Options

Different policies offer different coverage options. Since you do not know today what your future long-term care needs will be, it's a good idea to buy a policy with flexible options if you can afford one. Make sure you understand all aspects of the policy and ask questions. Make sure to get the answers in writing.

Options could include:

- **Nursing Home Care.** A nursing facility that provides a full range of care (nursing, help with personal care and daily activities) and/or skilled care (24-hour medical, nursing, and rehabilitation care).

- **Assisted Living.** A residence with apartment-style units where personal care and other services such as meals are available and adjustable to meet individual needs.
- **Adult Day Services.** A program outside the home for adults who need some help during the day. The program provides health, social, and other support services in a supervised setting.
- **Home Care.** Home care can include many services, such as personal care (bathing and grooming) and help with chores and housework.

Choose a policy that requires you to satisfy your deductible period only once during the life of the policy, rather than a policy that might make you pay a new deductible each time you need care.

Things to Know:

- Long-term care insurance often will not cover all your long-term care costs. You'll still have to pay some costs out-of-pocket.
- Compare the amount of your policy's daily benefits with the average daily cost of care in your area. Remember that you'll have to pay the difference.
- Some insurance companies require that you use services from a certified home care agency, while others allow you to hire independent providers. Make sure you buy a policy that covers the services you want.
- Make sure the policy will still cover you if you move to another state.
- Don't buy more than one policy. Owning several policies is expensive and doesn't necessarily give you better coverage.

Tips to Help You Once You Decide to Buy

If you decide to buy a long-term care policy, read it carefully before you sign. Never let anyone pressure or scare you into making a quick decision. Never pay for an insurance policy in cash and always make your check payable to the company. Nearly all states require insurance companies to give you 30 days to review your signed policy. During this time, you can return a policy for a full refund if you change your mind.

Different companies use different wording in their policies and may even use different definitions. Make sure you understand everything in the policy. Here are some common terms you're likely to see in most policies:

- **Daily Benefit.** The amount the insurance company will pay each day you qualify for benefits.
- **Benefit Period.** How long your coverage lasts, usually one year to a lifetime.
- **Elimination Period.** The number of days you must pay for your own care before the insurance company begins to pay. You should carefully figure out how many days you can afford to pay for your own care before coverage kicks in.
- **Benefit Triggers.** The conditions that decide whether and when you can start being covered for services.

- **Tax Status.** This refers to whether your benefit payments are taxed, and whether your premium costs may be tax deductible.
- **Pool of Money.** A method by which companies measure benefits by a total dollar amount, not days or years. This type of policy gives you a lot of flexibility in using your resources once you are eligible for benefits. It lets you decide how much money per day you want to spend and how long you want the coverage to last.
- **Inflation Protection.** This allows the daily benefit you choose to keep up with the rising cost of care. If you are under age 70 when you buy insurance, automatic compound inflation protection is critical.
- **Nonforfeiture Protection.** After you have paid for your coverage for a certain length of time, some insurance policies guarantee you a limited benefit, even if you discontinue the coverage or stop paying for it.

- **Premium Waiver.** This allows you to stop paying your premium after you enter a nursing home or are certified for home care.
- **Guaranteed Renewal.** This makes sure your policy will not expire unless you have used up your benefits or you have not made your premium payments.

The younger you are when you buy long-term care insurance, the more important it is to buy a policy with inflation protection.

Deciding whether long-term care insurance is right for you can take some time and research. Because of the cost, it's time well-spent. Doing your homework will help you make the best decision about how to pay for long-term care.

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