



# Long Term Care University

## Long Term Care University – Question of the Month

By Aaron Skloff, AIF, CFA, MBA

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**Q: We may wait to purchase long term care insurance. What should be our most important considerations?**

### **The Problem – Determining Whether to Buy Long Term Care Insurance Now or Later**

Waiting to purchase technology gadgets can often be advantageous. For example, the fancy computer that costs \$1,000 today is likely to drop in price to \$800 in a year or two. Delaying the purchase of long term care insurance, on the other hand, can often be disadvantageous – as outlined below. **While any one item on the list below can increase the price of your policy, the combination of two or more items can have a multiplier effect on the price – possibly doubling the price of your policy.**

1. If you already need long term care, insurance companies will consider you uninsurable and prohibit you from purchasing a policy.
2. If your health deteriorates, insurance companies will charge you 15%-75% more for the same level of coverage.
3. If long term care costs continue rising at the same pace, you will need to buy 5% more coverage each year you delay your purchase.
4. As you grow older insurance companies charge more for the same level of coverage.
5. Some states have minimum purchase requirements for their Partnership Programs (long term care insurance policies that protect assets away from Medicaid). Some states (e.g.: California, Connecticut and New York) increase their minimum purchase requirements by 5% each year, increasing the price by 5%.
6. Insurance companies regularly raise rates for new applicants, oftentimes 10%-30%.

**Insurance Companies' Cost of Waiting Tables are Dangerously Misleading.** Many insurance companies' quotations include a table entitled **Cost of Waiting**. Although the tables portray the price of policies and the cost of waiting, they rarely disclose the regular rate increases companies implement for new applicants of the same age. The table entitled **Cost of Waiting Before Price Increase** represents the price for \$200 per day of care for 5 years, with 5% compound inflation protection, and a 90 day elimination period, for a 50-year-old husband and wife, per person. The table entitled **Cost of Waiting After Price Increase** represents the same benefits after the same insurance company raised rates for new applicants.

Cost of Waiting Before Price Increase					
When Purchased	Age	Daily Benefit	Annual Premium	If Paid to Age 85	Cost of Waiting
Today	50	\$ 200	\$ 1,835	\$ 64,210	\$ 0
In 1 Year	51	\$ 210	\$ 1,941	\$ 66,005	\$ 1,795
In 5 Years	55	\$ 255	\$ 2,485	\$ 74,558	\$10,348
In 10 Years	60	\$ 326	\$ 4,014	\$100,345	\$36,135

Cost of Waiting After Price Increase					
When Purchased	Age	Daily Benefit	Annual Premium	If Paid to Age 85	Cost of Waiting
Today	50	\$ 200	\$ 2,140	\$ 74,896	\$ 0
In 1 Year	51	\$ 210	\$ 2,290	\$ 77,867	\$ 2,971
In 5 Years	55	\$ 255	\$ 3,110	\$ 93,307	\$18,411
In 10 Years	60	\$ 326	\$ 5,013	\$125,332	\$50,436

After Price Increase
Change in Annual Premium
17%
18%
25%
25%

While the table entitled **Cost of Waiting After Price Increase** obviously reflects the higher prices, what is less obvious is the percentage change for various ages. For example, the new price for a **50-year-old** is **17%** higher than the old price. The new price for a **55-year-old** is **25%** higher than the old price. Lest we forget, the second table entitled **Cost of Waiting After Price Increase** dangerously assumes no further price increases – the same way the first table falsely assumed (in retrospect).

### **The Solution – Purchase Your Long Term Care Insurance Now and Assure You Pay the Lowest Price**

Any of the six items listed above can lead to your paying significantly more for your policy. There is only one item that is certain on the list of six items; in one year's time you will be one year older. Unfortunately, Mother Nature takes her toll on all of us; adding another item from the list of six that will add to the price of your policy. It is critical to know all six items on the list when purchasing a long term care insurance policy.

### **Action Step – Purchase Your Long Term Care Insurance Policy When You are Young and Healthy**

Purchase your long term care insurance policy when you are young and healthy, assuring you will pay the lowest price possible.

Aaron Skloff, Accredited Investment Fiduciary (AIF), Chartered Financial Analyst (CFA), Master of Business Administration (MBA), is the Chief Executive Officer of Skloff Financial Group, a NJ based Registered Investment Advisory firm. The firm specializes in financial planning and investment management services for high net worth individuals and benefits for small to middle sized companies. He can be contacted at [www.skloff.com](http://www.skloff.com) or 908-464-3060.