



Long Term Care University

Long Term Care University – Question of the Month

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Q: What are the top five reasons we should not buy long term care insurance?

The Problem – Paying for Long Term Care

According to the U.S. Department of Health and Human Services, **7 in 10 people over the age of 65 will require long term care**. This compares to a **1 in 340 chance of a major auto accident** and a **1 in 1,200 chance of a total loss from a fire**. About half the people reaching the age of 65 are expected to enter a nursing home at least once in their lifetime.

The cost of long term care (LTC) is high. The median cost of a private room in a nursing facility is \$7,700 per month, an assisted living facility is \$3,600 per month and home care is \$3,900 per month. If you are 55-years-old expect to pay \$600,000 to \$750,000 per person for nursing care when you are likely to need it, at the age of 80. This can easily wipe out a lifetime of savings.

The Solution – Understand the Top Five Reasons to Not Buy Long Term Care Insurance

Although the article ‘Insure or Self-Insure for Long Term Care’ encourages insuring, there are reasons to not buy LTC insurance.

1. Your Health May Prevent You from Buying a Policy

Insurance companies are liberal with what health conditions and histories they will accept, including: obesity, diabetes, depression, cancer, hip and knee replacements, heart attack and osteoporosis. If you have any of the following you **cannot** purchase a policy: Alzheimer’s disease, dementia, schizophrenia, ALS, Parkinson’s disease or multiple sclerosis. If you cannot perform or need assistance performing your activities of daily living (bathing, dressing, eating, transferring, continence and toileting), you cannot purchase a policy.

2. Your Age May Prevent You from Buying a Policy

While some companies will consider applicants as young as 18 and as old as 84, many focus on the 30-79 age bracket. By age 60 most people are no longer in good enough health to qualify for a preferred health discount. By age 75 most people have a health condition that prevents them from being approved for a policy. Even if you are in good health, most companies will not consider an application for someone aged 80 or older.

3. You Cannot Afford to Purchase a Policy

If you have less than \$100,000 and have less than \$25,000 of income per year, you may spend all your assets and income paying for your LTC services and qualify for your state’s Medicaid program. Unfortunately, you may not be satisfied with the limitations placed on their home care services, location of the Medicaid facility and/or the quality of care provided. Some children may simply purchase a LTC insurance policy for their parents. This way their parents can choose where they receive care, including in their own home.

4. You Know You Will Not Need Care

Despite a **1 in 1,200** chance of a total loss from a fire, virtually all homeowners purchase homeowners insurance (even if they no longer carry a mortgage that requires it). The reason they purchase it is because they cannot afford to replace their home and/or it allows them to sleep at night. The same concept applies to LTC insurance. There is **7 in 10** chance people over the age of 65 will require LTC.

Nobody really knows if they will be part of the 3 in 10 who will not need care or the 7 in 10 who will need care.

5. You May Never Use It - Long Term Care Insurance is a Scam

You may never use your homeowners, automobile, major medical health insurance or Medicare, but you wouldn’t go a day without them and do not consider them a scam. Long term care insurance falls into the same category of insurance. The industry offers two basic types of policies, Traditional and Combination Life and LTC insurance. Traditional is a use or lose it type policy like homeowners insurance. Combination returns your premiums in the form of a tax free life insurance policy if do not use it or only use a small amount.

Action Step – If You Are Healthy and Young Enough to Purchase a Policy, Evaluate Long Term Care Insurance

If you are fortunate enough to have moderate to good health, evaluate LTC insurance. Work with an independent insurance agent that offers multiple insurance carriers and can compare each company’s price, strengths and unique underwriting guidelines.

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