Long Term Care University

Long Term Care University – Question of the Month

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Q: What is the best age to buy Long Term Care Insurance?

The Problem – Determining the Best Age to Buy Long Term Care Insurance
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 a new policy with the same level of coverage.
3. If long term care costs continue to increase rise at 3%-5% per year, you will need to buy 3%-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 polices that protect assets away from Medicaid).
6. Insurance companies regularly rollout new products with higher rates for new applicants, oftentimes 10%-30% higher.

The Younger You Are, The Lower Your Premiums. Long Term Care Insurance companies price policies to reflect their risk. The longer they collect and invest your premiums, the lower the insurance company's risk, the lower your annual premiums and the lower your cumulative premiums paid to age 85. The companies publish Cost of Waiting tables to show prices at various ages.

Numbers Speak Louder Than Words. The table entitled **Cost of Waiting 2018** represents the annual premium, cumulative premiums if paid to age 85 and the cost of waiting 1, 5 and 10 years. The table reflects benefits of $100 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. **Delaying the purchase from age 50 to 55, increases the annual premium by $1,032 or 34% and the cumulative premiums if paid to age 85 by $15,923 or 15%.**

			Cost of Waiting 2014			Cost of Waiting 2018			Premium Increase 2018 vs 2014
Year Purchased	Age Purchased	Daily Benefit Purcasded	Annual Premium	If Paid to Age 85	Cost of Waiting	Annual Premium	If Paid to Age 85	Cost of Waiting	
Today	50	$ 100	$ 1,422	$ 49,770	$ 0	$ 3,009	$105,329	$ 0	112%
In 1 Year	51	$ 105	$ 1,530	$ 52,009	$ 2,239	$ 3,190	$108,492	$ 3,163	109%
In 5 Years	55	$ 128	$ 2,035	$ 61,053	$ 11,283	$ 4,042	$121,252	$15,923	99%
In 10 Years	60	$ 163	$ 2,728	$ 68,193	$ 18,423	$ 5,843	$146,069	$40,740	114%

Long Term Care Insurance Companies' Cost of Waiting Tables Do Not Emphasize One Critical Point. Although the cost of waiting tables portray the price of policies and the cost of waiting, they do not emphasize the higher rates companies charge new applicants of the same age and health when they introduce new rates. The **Cost of Waiting 2014** table indicates a 50-year-old would pay **$49,770** of cumulative premiums if paid to age 85. The **Cost of Waiting 2018** table indicates a 50-year-old would pay **$105,329** of cumulative premiums. **That's a 112% increase or $55,559 more premiums.**

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. Understand all six items when purchasing Long Term Care Insurance.

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.

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