



Long Term Care University

Long Term Care University – Question of the Month

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Q: What are the pros and cons of Long Term Care Insurance?

The Problem – Facts Versus Myths About Long Term Care

Many people believe the **myth** that major medical health insurance will pay for long term care services or that Medicare will pay for it in their later years. In **fact**, neither major medical health insurance nor Medicare covers traditional “custodial care.” Custodial care includes the basic activities of daily living: bathing, feeding, dressing, getting in or out of bed or off and on a chair, moving around and using a bathroom. Medicare will cover care in a skilled nursing facility or pay for skilled home health care services only when medically necessary, such as following an inpatient hospital stay.

Like many, you may believe the **myth** that you are healthy today so you will not need long term care in the future. In **fact**, there is a 7 in 10 risk you will need long term care if you live past the age of 65. You may believe the **myth** that only facility care is expensive. In **fact**, most long term care costs are quite expensive, as evidenced by the table below.

Type of Care	Median Cost of Care	Five-Year Annual Growth Rate
Home Care	\$43,472	1.2%
Assisted Living Facility	\$42,000	4.3%
Nursing Facility: Semi-Private Room	\$77,380	3.9%

Based on the data above, if a husband and wife each needed 3.5 years of home care (the average length of home care) and no further care thereafter at home or in a facility, it would cost them a combined \$304,304. **If they did not need the care for 18 years and the cost of care grew at 4% per year the cost would double to a combined \$608,608.**

The Solution – Understanding the Pros and Cons of Long Term Care Insurance

From automobile to homeowners insurance, there are pros and cons for all types of insurance. Let’s look at the top pros and cons below.

Argument	Pros	Cons
Long Term Care Insurance is too expensive. My husband and I are both 60 years old and are in good health. We do not want to spend \$1,100 each per year to each receive \$300,000 of coverage for 5 years of care.	No savings account or investment portfolio can guarantee \$300,000 the day you spend \$1,100. Long Term Care Insurance protects your independence, protects your assets and preserves your estate.	At \$1,100 you would each spend \$22,000 over 20 years. If you have less than \$100,000 in assets including your home and earn less than \$20,000 per year, the premiums may be too high unless your family plans to help pay.
No need to buy Long Term Care Insurance - my family will take care of me.	You will know and love your care providers.	You may not want your loved ones to bathe, dress or help you in the bathroom. Your family may have to sacrifice their career and family to care for you.
Insurance companies always deny claims and change the approved service providers in the network.	Approximately 95% of long term care claims are approved. There are no networks. You choose which company comes to your home or which facility to live in – not the insurance company.	Approximately 5% of claims are denied. To protect you, most policies require your care be provided by a licensed home health care company or facility.

Action Step – Obtain Personalized Quotes Then Weigh the Pros and Cons of Long Term Care Insurance

Obtain personalized quotes from at least three or four long term care insurance companies based on your health, age, marital status and customized benefits. Simply changing one of the previous variables or just the insurance company can double your premium. After reviewing the quotes along with the pros and cons, decide if Long Term Care Insurance is right for you

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