



# Long Term Care University

## Long Term Care University – Question of the Month

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**Q: Our employer informed us that beginning 01/01/22, a mandatory deduction will be taken from our compensation for the Washington State WA Cares long term care fund. What does this program offer? How can we avoid paying for this?**

### **The Problem - WA Cares**

Washington State recognizes **7 in 10 people over the age of 65 will require long term care**. Washington implemented the WA Cares fund to provide a limited amount of care for a limited segment of the Washington State population. **Employers must withhold 0.58% from employees' compensation**. Compensation includes salary, commissions, bonuses, and company stock (including restricted stock units). There is no income cap on the withholding. If you are self-employed, you can opt-in to the program. Employees can receive benefits if they meet certain criteria.

**WA Cares Contribution Requirements.** Employees must contribute a total of 10 years without interruption of 5 or more consecutive years or 3 years within the last six years.

**WA Cares Fund Benefits.** Care recipients can receive up to \$100 per day to cover long term care costs, with a maximum lifetime benefit of \$36,500, equivalent to one year of care expenses at \$100 per day. **That is not a typographical error. It is literally equivalent to a mere \$100 per day for one year.** In 2020, the average cost of home care in Washington State was **over \$6,000 per month (over \$200 per day)**, while the average cost for a nursing facility was **about \$11,000 per month (almost \$365 per day)**. According to the Alzheimer's Association, 1 in 9 people ages 65 and older and about **1 in 3 people ages 85 and older have Alzheimer's disease**. The duration of Alzheimer's disease is generally 4 to 8 years, but can last as long as 20 years.

The WA Cares Fund only pays for the employee's (contributor's) care, not their spouse or dependents. To be eligible to receive benefits, you must need assistance with at least **three** activities of daily living. **Importantly, the program does not pay for care outside of Washington State.**

### **The Solution - Private Long Term Care Insurance**

Fortunately, you can qualify for an exemption (not pay) from the WA Cares Program if you purchase a private long term care insurance plan before **11/01/21**. Long term care (LTC) insurance includes the following types of policies: Traditional LTC, Washington State Long Term Care Insurance Partnership Program LTC, Hybrid Life and LTC and Hybrid Annuity LTC.

**Private LTC insurance can cover from 2 years to an unlimited number of years of care.** To be eligible to receive benefits, you must need assistance with at least **two** activities of daily living versus the requirement of **three** with WA Cares. Private LTC insurance can pay cash benefits equal to the monthly benefit you purchased, even if your actual costs are less. **For example, if your private policy has a monthly benefit of \$12,000 (\$400 per day) and your cost of care was \$6,000 per month (\$200 per day), you will still receive a check for the full \$12,000.**

Private LTC insurance can be customized for your needs. You can purchase a policy to cover you, your spouse or both. With a shared care rider, you can share benefits with your spouse. You can purchase inflation protection to guarantee your benefits grow at a guaranteed rate (e.g.: 3% or 5% compound growth) for the life of your policy. Hybrid Life and LTC insurance policies will pay for care, pay a life insurance benefit if you do not need care, or pay for care and pay a life insurance benefit.

**Private LTC Insurance can be purchased in any state and used in all 50 states.** That means you can purchase a policy in Washington State and use it in CA, FL, etc. - or vice versa. Some private policies allow you use the benefits outside of the U.S.

### **Action Step – Choose a Long Term Care Insurance Plan That Meets Your Needs**

The best way to evaluate the WA Cares option versus private LTC insurance is to determine the costs and benefits of each. Since premiums vary greatly based on age, health and marital status, request individualized quotes.

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