



Summit Advisory Group

Shawn Danziger, CRPC®
Chartered Retirement Planning Counselor
155 Chestnut Ridge Road
Suite 101
Montvale, NJ 07645
201-746-9180
shawn@summitadvgroup.com
www.summitadvgroup.com



Should You Buy Long-Term Care Insurance?

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The longer you live, the greater the chances you'll need some form of long-term care. If you're concerned about protecting your assets and maintaining your financial independence in your later years, long-term care insurance (LTCI) may be for you.

Who needs it?

Approximately 70 percent of Americans turning age 65 can expect to use some form of long-term care at some point during their lives. (Source: The National Clearinghouse for Long-Term Care Information, as of December 2016.) And with life expectancies increasing at a steady rate, this figure can be expected to grow in the years to come.

But won't the government look out for me?

Medicare pays nothing for nursing home care unless you've first been in the hospital for 3 consecutive days. After that, it will pay only if you enter a certified nursing home within 30 days of your discharge from the hospital. For the first 20 days, Medicare pays 100 percent of your nursing home care costs. After that, you'll pay \$164.50 in 2017 per day for your care through day 100, and Medicare will pick up the balance. Beyond day 100 in a nursing home, you're on your own--Medicare doesn't pay anything.

If you're at home, Medicare provides minimal short-term coverage for intermediate care (e.g., intravenous feeding or the treatment of dressings), but only if you're confined to your home and the treatments are ordered by a doctor. Medicare provides nothing for custodial care, such as help with feeding, bathing, or preparing meals.

Medicaid covers long-term nursing home costs (including both intermediate and custodial care costs) but only for individuals who have low income and few assets (eligibility guidelines vary from state to state). You will have to use up most of your savings before you qualify for Medicaid, and aside from a small personal needs allowance (typically \$30 to \$60 dollars a month), you will have to use all of your retirement income, including Social Security and pension payments, to pay for your care before Medicaid pays anything. And once you qualify for Medicaid, you'll have little or no choice regarding where you receive care. Only facilities with Medicaid-approved beds can accept you, and your chances of staying in your own home are slimmer, because currently most states' Medicaid programs only cover limited home health care services.

Looking out for yourself

If you want to retain your independence, protect your assets, and maintain your standard of living while at the same time guaranteeing your access to a range of long-term care options, you may want to purchase LTCI. This insurance might be right for you if you meet the following criteria:

- You're between the ages of 40 and 84

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- You have significant assets that you would want to preserve as an inheritance for others or gift to charity
 - You have an income from employment or investments in addition to Social Security
 - You can afford LTCI premiums (now and in the future) without changing your lifestyle

Once you purchase an LTCI policy, your premiums can go up over time, but the rates can only rise for an entire class of policyholders in your state (i.e., all policyholders who bought a particular policy series, or who were within certain age groups when they bought the policy). Any increase must be justified and approved by your state's insurance division.

Several factors affect the cost of your long-term care policy. The most significant factors are your age, your health, the amount of benefit, and the benefit period. The younger and healthier you are when you buy LTCI, the less your premium rate will be each year. The greater your daily benefit (choices typically range from \$50 to \$350) and the longer the benefit period (generally 1 to 6 years, with some policies offering a lifetime benefit), the greater the premium.

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