



# Chance or Choice?

## *Why Your Clients Need Help with Long-Term Care Planning*

by Maryglenn Boals, CLTC

*I recently met with a representative of another country's government to discuss long-term care (LTC). At the end of my description of client options, including assisted living, adult day care, group homes and in-home care related programs, his comment was, "You have so many choices here." It occurred to me that his observation was right. We have so many choices, yet only eight percent of the U.S. population has long-term care insurance (LTCi), and even fewer have a LTC plan (AALTCI.org). When someone leaves their LTC planning to chance, they will find that their choices are much more limited. Knowing this, why do so many people leave this important piece of their financial planning to chance?*

## Too Many Choices

Is “too many choices” the real issue? Clients have become too overwhelmed by the advice and statistics in the media to really understand the impact on their personal financial plan. How do they decide what company to buy from, what benefit period is really needed, what daily benefit amount is right, etc. And with the financial crisis of 2008-2009, the questions now include—what happens if the LTC carrier goes out of business before I need benefits?

The first issue is that good LTC planning begins with a conversation about how the client and their family would respond to a long-term care “event.” Get them to begin thinking of LTC as an event, not a location (i.e., nursing home). By keeping the focus on the client’s choices, you can begin to create a long term care plan that involves both key elements: the family and the finances.

As their advisor, you may ask yourself and the client: What money is designated for LTC in your current financial plan? Who would be the “quarterback” determining the care needed? Is a family member available and trained to provide that level of care? What would the financial impact to the portfolio be if the LTC event was for an extended period of time, more than 10 years? Is there money in the plan that can support someone receiving care and maintain the lifestyle of the remaining family members? Will they be able to ensure that the financial commitments they had hoped to make to children, grandchildren, charities, etc., can still be honored despite the unintended financial penetration of the portfolio? It is highly unlikely that most clients have even considered these questions or thought about the impact on their family or finances.

## Financial Tools for LTC

There are a number of options for funding Long Term Care. Traditional LTCi, Life/LTC Hybrid policies and annuities with “linked” LTC benefits are just a few. With the Pension Protection Act of 2006, the Hybrids and

Linked products are providing new tax-advantaged options to leverage current finances via 1035 exchanges. Traditional LTCi is still the most “cost effective” way to purchase LTC benefit dollars. In comparing the amount of money “invested” to the total benefit pool available at claim—you still get more traction for the dollars spent, using traditional LTCi. Even within the Traditional LTCi market, there are choices to be made. Does the client want a reimbursement model, cash policy, or an indemnity design?

Once the appropriate “financial tool” is determined, you still have to weigh which company to select. You need to study the financial ratings of those you are considering. Stick with the A-rated companies with a long history of financial stability. As mentioned before, solvency and rate increases are a much bigger consumer concern now.

In the LTC application forms, each carrier lists their history of rate increases and agents must state to the client that “there is a potential for a rate increase.” LTCi rates are typically not “guaranteed.” You need to consider the timing and amount of the last rate increase. What is the company history of rate increases? Most carriers try to avoid rate increases at all costs. It is not well accepted by clients or advisors. Carriers will often develop a new version or new type of policy and “close” the previous block of business or availability of the former policy. The new block will have the new pricing and the former policy holders are not impacted by the new price.

The other new concern is if the insurance carrier will be in business at the time of claim. We have seen a few companies fall into this category. Clients do have some security. Each state has a State Guaranty Association that establishes a fund (Arizona Life & Disability Insurance Guaranty Fund—((602) 364-3863) when a carrier does business in that specific state. In Arizona, clients who have an LTCi policy have a maximum of up to \$300,000 in benefits they can receive from the fund. For someone with a “lifetime benefits” policy—this is not great news.

*Another new concern is if the insurance carrier will be in business at the time of claim.*

## What is Your Role in Long Term Care planning?

Simply said, facing all these choices, your client is waiting for you to broach the subject. More than 90 percent of respondents to a Genworth Financial Inc. Web Survey recently stated that they haven’t been approached by a financial professional on the topic of long-term care, yet 86 percent of them believe it is important to discuss the topic with a financial professional. However, in that same survey, respondents also stated that they expect the advisor to help them choose ideal residential-care options and to explain which topics should be discussed with family members during LTC planning. Most of you will agree that this goes way beyond what you envisioned as your role in the LTC plan.

How can you provide this service and meet the client’s expectations? A long term care planning and insurance specialist can bridge that gap between you bringing up the subject and exploring the client’s expectations regarding their plan of care. They will also work with you to determine the best financial tool for the client to fund that plan. Look for someone who complements your own style. What is their educational background and experience level? The world of LTC planning is evolving rapidly—how is this person staying current with all of the new products and factors impacting the industry?

So is it too many choices that keep your clients from addressing long term care planning, or are they just waiting for you to bring it up? **AZ CPA**

*Maryglenn Boals, CLTC, can be reached at MgBoals & Associates, LLC, [www.mgboals.com](http://www.mgboals.com).*