



2024 CONSUMER GUIDE

LONG-TERM CARE INSURANCE

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“Most Americans underestimate the risk of outliving their financial resources in retirement or experience economic hardship stemming from large, unanticipated health and long-term care costs in later life.”¹

By reading this information and discussing it with the person who gave it to you, you are taking important steps to preserve your quality of life, your financial future, and your family’s wellbeing regardless of what the future may hold.

Long-term care is extended care that involves assistance with activities of daily living (such as dressing and bathing), and/or care needed due to severe cognitive impairment (such as the dysfunction caused by Alzheimer’s disease). This care can be received at home or at a facility like an assisted living facility or a nursing home. This care can be very expensive and is a great threat to financial security in retirement.

The longer you live, the more likely it is you’ll need extended care at some point. So, a healthy 55-year-old may have as high of a risk of needing long-term care as an unhealthy 55-year-old because the healthy person has a longer life expectancy.

Unfortunately, most people underestimate the risk of needing long-term care. Leading research tells us that more than half (52%) of Americans turning 65 today will need extended care.²

What would happen to your family members—emotionally, physically, and financially—if you live a long life and need care for a few years?

HOW MUCH DOES LONG-TERM CARE COST?

The true cost is more than dollars and cents.

Long-term care is expensive, even in cases where no monetary payment for the care is involved. The reality is much of the actual long-term care that takes place in the U.S. today is unpaid. Often referred to as informal care, this care is provided by relatives and friends.

However, this unpaid care does have a cost. Although loved ones may be willing and happy to help, being a caregiver can be a heavy burden for one to take on. Long-term care can be both physically and emotionally demanding, especially for an

untrained caregiver. Time spent caring for a parent can add up, taking precious time away from the caregiver’s spouse, children, job, and other responsibilities. As a result, caregiving can take a heavy toll on them economically. Many caregivers end up scaling back their own careers, not only compromising their current income but also their future financial security.

The question is not whether your loved ones will take care of you if you need long-term care, but do you want them to be obligated to take on that burden?

PROFESSIONAL CARE COSTS

According to a comprehensive report published in 2023, the national median cost for a home health aide is \$29.12/hour. The national median cost for assisted living facilities is \$61,140/year, with a private nursing home room costing \$116,544.50³ It’s important to keep in mind that costs can vary dramatically depending on location. The person who sent you this guide can show you up-to-date costs in your area.



SMART BUYING TIP: SHARED LTCI POLICIES CAN BE EFFICIENT

Spouses or other cohabitants can purchase long-term care insurance (LTCI) policies that allow the benefits to be used by either person. These policies not only bring flexibility, but they can also be more cost-effective than individual policies. On a related note, some insurers offer significant discounts to couples/cohabitants who buy identical policies.

HOW DO PEOPLE PAY FOR PROFESSIONAL LONG-TERM CARE?

Most long-term care is paid by one of the following: personal funds, government programs, or long-term care insurance. Personal funds may involve drawing down retirement savings or other assets, spending retirement income, or even using funds provided by adult children.

¹U.S. Department of Health and Human Services, ASPE Issue Brief, “Most Older Adults are Likely to Need and Use Long-Term Services and Supports” January 2021, <https://aspe.hhs.gov/reports/most-older-adults-are-likely-need-use-long-term-services-supports-issue-brief-0>

²Health & Human Services, ASPE Research Brief “Long-Term Services and Supports for Older Americans: Risks and Financing,” updated Feb. 2016

³illumifin 2022 Cost of Care Study, March 2023

MEDICARE WON'T PAY

Medicare health coverage is designed primarily to cover medically necessary care, skilled care, and some preventative screenings. The Medicare website itself states: Medicare and most health insurance plans don't pay for long-term care.⁴

MEDICAID IS A PAYER OF LAST RESORT

Medicaid is a means-tested program. It is designed to help pay healthcare and long-term care costs for individuals with limited means. One of the biggest reasons people don't want to rely on Medicaid is it primarily covers nursing home care—the type of care most want to avoid.

In order to qualify for Medicaid in most states, an individual can only have \$2,000 of countable assets to their name. Countable assets generally include all investments and assets with liquid value, except for business property and most primary residences. Medicaid planning can be helpful for individuals and married couples who have failed to plan ahead or exhausted their long-term care benefits.

Unlike Medicare and Social Security, Medicaid is not a program we pay into through payroll taxes. Medicaid is funded jointly by general tax receipts of both the federal government and the state government where the applicant resides.



SMART BUYING TIP: WORK WITH SOMEONE WHO REPRESENTS MULTIPLE COMPANIES

As Abraham Maslow said, "If your only tool is a hammer, everything looks like a nail." Most people will benefit from working with an agent who doesn't recommend the same insurer to everyone. Not only do available plans vary among insurance companies, but premiums for the same type of coverage can vary dramatically. An agent who represents multiple companies can recommend the plan best suited to your situation.

TAX DEDUCTIONS AND OTHER INCENTIVES

For many years, the federal government and individual state governments have encouraged people to do long-term care

planning and purchase long-term care insurance through incentives. There are two primary types of incentives: Tax deductions and credits, and Partnership programs. These are explained on a state-by-state basis in *Tax Breaks and Incentives for Long-Term Care Insurance*. Ask the person who gave you this information for a copy.

BASIC POLICY DESIGN TERMS

Daily Benefit – The maximum daily (or monthly) amount the insurer will pay once you have qualified for benefits.

Elimination Period – Like a deductible, this is the number of days that must pass between benefit eligibility and the start of benefits. This can either be defined in a policy by service day (a day on which you pay for covered services) or by calendar day (no requirement of paid services).

Inflation Provisions – Built-in inflation coverage is an optional benefit (rider) that is selected when purchasing coverage. It increases the policy's benefit automatically on the policy's anniversary date with no action required on the part of the insured and with no health questions. Other inflation provisions, such as options that can be exercised in the future, are sometimes available.

Benefit Period – When a claim is eligible for payment, the benefit period is the number of years the policy will pay for covered services if the full daily benefit were to be used each day. Policyholders who use less than their full daily benefit may find their policy's benefit period is effectively extended. For example, most policies with a \$300 daily benefit and a two-year benefit period would pay out for four years in the event the policyholder incurred only \$150 in daily covered care costs.



SMART BUYING TIP: WHAT TO KNOW ABOUT PREMIUM STABILITY

Modern long-term care insurance was a new product in the 1990s, and many early policies have since had rate increases. Now that there is historical data available, insurers have changed the pricing on new policies in an effort to avoid or minimize future rate increases. Regulators and industry experts agree today's policies are priced for much greater premium stability.

⁴What's not covered by Part A & Part B?, Long-Term Care, <https://www.medicare.gov/what-medicare-covers/whats-not-covered-by-part-a-part-b>

WHO BUYS LONG-TERM CARE INSURANCE?

It's difficult to discuss typical buyers and the policies they choose since policies vary so much. However, the information compiled below may be helpful as you consider long-term care insurance. It's wise to keep in mind that your best course of action may bear little resemblance to the purchasing behavior of others.




The average purchaser is age 57 with most (78.1%) purchasers between the ages of 50 and 69. However, many younger people are buying coverage with 16.6% of purchasers under age 50.⁵

The three most popular benefit periods are 3 years (54.7%), 6 years (12.9%), and 5 years (10.4%).⁶

A PERSONAL ACTION PLAN

None of us knows for sure whether we will need long-term care. What we do know is care is expensive, and the need can last for years.

That's why everyone should have a plan in place to pay for long-term care.

-  To relieve the burden from the shoulders of our loved ones
-  To provide money at the most vulnerable time in our adult lives
-  To maintain the retirement we were counting on—one with dignity and quality of life

However, having a plan in mind—without taking any action to make it a reality—will be useless when the need for care arrives. To benefit from the knowledge you have just learned, take action now. Call the person who gave you this information and discuss whether or not to purchase long-term care insurance.

Taking action now can help ensure you have the resources to pay for the kind of care you want. In addition, having a plan in place when the need arises will allow you to substantially lift the burden of caregiving off your loved ones. Contact the person who gave you this guide to learn more about long-term care insurance.



⁵"2023 Milliman Long-term Care Insurance Survey" Broker World, July 2023. <https://brokerworldmag.com/2023-milliman-long-term-care-insurance-survey/>

⁶Ibid.

⁷Free look period may vary – ask the person who sent you this guide.



SMART BUYING TIP: LINKED BENEFIT PRODUCTS

-  Combination products are available that combine long-term care insurance with life insurance products, including annuities.
-  You may be able to use the cash value in an existing life insurance policy, annuity, or qualified pension account to purchase long-term care insurance with no additional out-of-pocket expense. Plus, the transaction may have no tax consequences.

IRC Sec. 7702B(e)(1) and 7702B(e)(2)



SMART BUYING TIP: SET A DEADLINE FOR YOURSELF

Time is your enemy when it comes to purchasing long-term care insurance. The older you are when you buy a policy, the higher the premium. But, more importantly, you must be relatively healthy to qualify for long-term care insurance, and your health status can change at any time.

By completing an application now and including a refundable deposit, you can lock in your present state of health and your age. Deposits are completely refundable for up to 30 days after the policy is delivered if you change your mind for any reason.⁷

That's why you should set a deadline for making your decision and act now.

DISCLAIMER

The information within this guide is provided for educational purposes only and should not be construed as insurance advice. Please consult your licensed insurance professional for advice regarding your specific circumstances.