Insuring Your Retirement Funds

In today's economic environment, it might not sound strange to be told to insure your retirement funds. After all, you have worked hard and diligently saving your money for your golden years. Like most of us, wouldn't you want to make sure that the funds will be there for you when you need them?

As Baby Boomers move into retirement, they also are moving towards age-related chronic health problems. Acute events beyond their control, such as stroke, and chronic problems, such as cognitive impairment, can change one's way of life.

Many people are under the mistaken impression that government programs such as Medicare will cover the costs of long-term care. While Medicare will cover some skilled nursing for a limited period, it does not cover long-term care. Medicaid covers long-term care costs, but only if a person qualifies financially. Moreover, health insurance (including Medicare supplements) does not cover nursing home or other long-term care costs except for short-term rehabilitation.

Out-of-pocket costs for needed long-term care resulting from age-related health problems such as home care, assisted living or nursing home will quickly deplete retirement funds and leave the remaining healthy spouse impoverished.

Long-term care insurance is one way to insure your retirement funds and provide protection so that retirement money stays intact. At the same time, long-term care insurance provides a way to pay for elder care services.

Long-term care insurance to insure your retirement makes sense. You insure your car against damage, your home against fire, and you purchase life insurance. So why not insure what can be the largest and most devastating risk to you and your family? And unlike the other risks you insure against, long-term care is the most likely to happen. Long-term care insurance will also help you keep your independence and dignity and allow you to make choices about where you want to spend your final years.

Here are some specific reasons for buying long-term care insurance:
- If you are married and you have a need for long-term care, your spouse will be able to pay for an outside caregiver and receive needed rest and recuperation.
- If your children promise to take care of you, then when the time comes that you need care, insurance will help them do that by paying for aides to help with tasks such as bathing and incontinence.
- If you are single and a need for long-term care arises and you have no family who can help you, insurance can pay for and coordinate that care.
- If you have the desire to leave assets behind when you die, insurance will help preserve those assets from the cost of long-term care.

Younger persons should also consider buying long-term care insurance, perhaps through an employer or other group. There is an advantage for doing this: the premium is lower.

For example, a person, currently age 45, buying a typical policy with a spouse, could spend $21,146 in total premiums to age 78. Suppose this same person chooses to wait to buy the equivalent coverage at age 65. If that same policy were available in the future, the couple that waits could pay $52,566 in total premiums over their 13 remaining years to age 78. Because they waited, they would pay 2 ½ times more for the same policy.

In addition to the rates going up with age, the health qualifications will be stricter. By waiting, a person risks the development of health problems related to aging which may even disqualify the person from obtaining a policy.

There are dozens of long-term care insurance companies selling a multitude of different policy options. It can become very confusing. For each policy, there are literally thousands of benefit combinations for home care, assisted living, nursing home care, waiting periods, payment amounts, inflation riders, and the list goes on. You can take the time to do your own research or find a competent long-term care insurance agent.

The following is a checklist of some of the things you need to know before you purchase a long-term care insurance policy. The more "yes" answers you get the better off you are.

1) Is the insurance company rated by A. M. Best (the rating company) with a rating of at least A, A+ or A++?
2) Is it a large diversified company with deep pockets and selling more than just long-term care insurance?
3) Is the insurance representative an expert in long-term care insurance? (Because of its complexity, almost all LTCi experts only sell LTCi; they seldom sell anything else.)
4) Does the representative have a degree and/or industry financial designations?
5) Does the representative own a personal long-term care insurance policy for himself or herself?
6) Is the policy you like tax qualified, and if not, do you understand the ramifications?
7) Are there at least 6 ADL's (Activities of Daily Living) allowed for in the benefit certification?
8) Does it allow "standby assistance"?
9) Is it a "pool of money" as opposed to a "stated period"?
10) Is it "integrated" as opposed to "2-pool"? (2-pool is not allowed in many states.)
11) Do you understand how the elimination period works? (This is extremely important.)
12) Does it have prohibitive cost containment provisions?
13) Is there any "capping" or other future reduction of automatic benefit increase riders?
14) Do you understand how the waiver of premium works?
15) Does the assisted living facility benefit pay the same as for nursing home?
16) Are you buying adequate home care coverage?
17) Does the company have a history of premium rate stability without periodic increases?
18) Does the policy pay for homemaker services?
19) Does the policy offer an alternative plan of care for services that don't exist today?

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