This long-term care planning guide is presented courtesy of Mutual of Omaha Insurance Company.

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Four Quick Tips on Long-Term Care Planning

Have you ever been involved in providing extended care for a family member or relative? Have you thought about what would happen if you needed care for several months or for many years? The associated costs can threaten a lifetime of savings. Caregiving can place a significant emotional and physical burden on spouses and family members that many would like to avoid. This latest guide from the American Association for Long-Term Care Insurance will help you make better decisions when considering your LTC planning needs and options.

1. Know When To Start Planning
You will never be younger or healthier than you are today. If you want to consider long-term care (LTC) insurance as part of your plan, here are two facts to know:

• At younger ages, you are more likely to qualify for good health discounts. Plus, you lock in these savings even if your health changes.
• The younger you are, the lower your annual premium may be. Waiting may only cost you more.

Early Planning Lets You Establish Lower Rates

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What if I already have health issues? Not everyone can qualify for LTC insurance. That’s an important reason to start now, because changes in your health may make it difficult for you to obtain coverage.

If you already have health issues, it pays to ask now to see whether you can qualify for coverage. Speak with your insurance or financial professional.

2. Save By Sharing Some Of The Risk
An LTC insurance policy is only as expensive as you make it. The most important step you can take now is to make sure you have some level of protection in place versus ignoring the risk all together.

Deductibles are what you’ll pay out-of-pocket before your insurance coverage kicks in. Similar to other insurance products, higher deductibles will reduce the cost of your coverage.

A Higher Deductible Equals Greater Savings

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In addition to focusing on your deductible, consider what savings and income you may have in the future that you are willing to use to pay part of your future care costs.

3. Value The “Pool Of Money” Model
LTC insurance offers a pool of money that can last longer than people think.

You will determine the size of your benefit pool by selecting a “Benefit Amount” (daily or monthly) and a “Benefit Period.” Your LTC insurance policy pays benefits for as long as dollars remain available in your pool. You can extend the life of your policy by not using the full daily/monthly benefit, as any unused portion remains in your pool.

Keep in mind that fewer dollars are typically spent when people receive care at home, unless you require 24-hour care.

Selecting a reasonable “Benefit Period” (for example 3 or 5 years vs. 7 years) can also reduce your insurance cost. Married couples should ask about a “Shared Care” option that enables couples to link their policies in order to share benefits in the event one person’s benefits are exhausted.

4. Consider Options To Deal With Rising Costs
Today, leading insurers offer a variety of options to deal with future increases in care costs.

Your insurance professional can illustrate options and costs, including:

• Increasing the “initial benefit up front,” which also helps to create a significant immediate pool of benefits in the event of an accident or illness today.
• Choosing the Guaranteed Purchase Option, which allows you to add coverage periodically without having to meet future health requirements. This option is not offered by all insurers, and provisions can vary from one insurer to another.
• Purchasing cost-effective inflation protection options, which can include automatic annual benefit increases based on the Consumer Price Index or those that increase benefits by three percent yearly.

Who BENEFITS from LTC Insurance

- You do. LTC insurance provides many valuable benefits, including protection of assets, reduced burden of caregiving for family, and the ability to receive care at home.

LTC INSURANCE FACTS

- $18.1 billion paid daily by insurers (2012)
- 264,000 claimants received $6.6 billion in benefits (2012)
- 51% of new claims are for home care
- 18.5% for assisted living
- 90.5% for nursing home care

Source: 2014 Long-Term Care Insurance Sourcebook, AALTCI, September 2013

WHAT’S THE NEXT STEP?

- Speak with your insurance or financial professional.
- Find out what coverage costs.
- See if you can health qualify.
- Ask what discounts you may qualify for.
- There is never a cost or obligation when you request this information.

LTC PLANNING GUIDES

Read the four guides from prior issues of Kiplinger’s, available now online:

www.aaltdi.org/guides

American Association for Long-Term Care Insurance

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