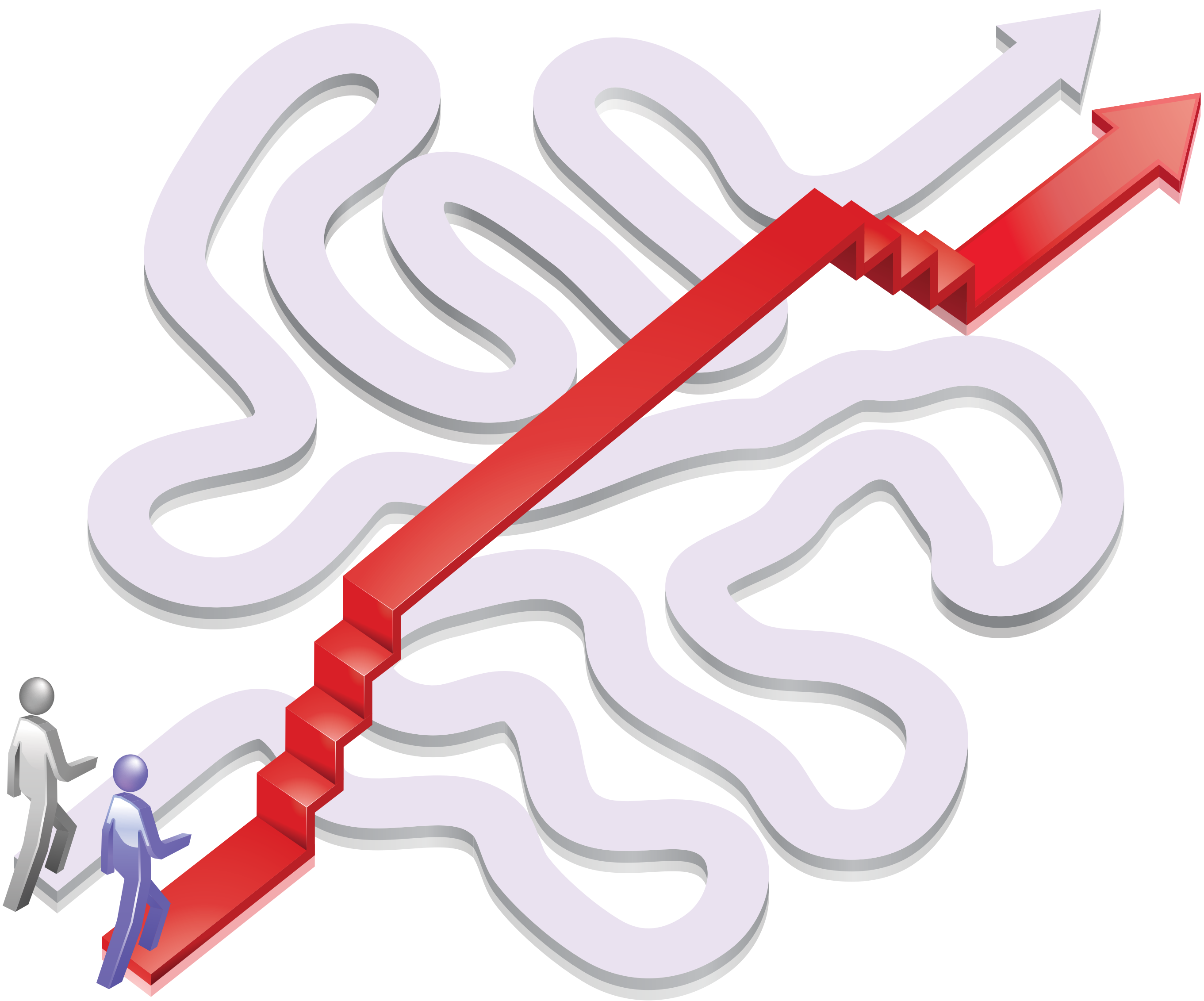
A SPECIAL PLANNING GUIDE
FOR KIPLINGER'S PERSONAL FINANCE READERS

Fresh Perspectives

on Long-Term Care Planning



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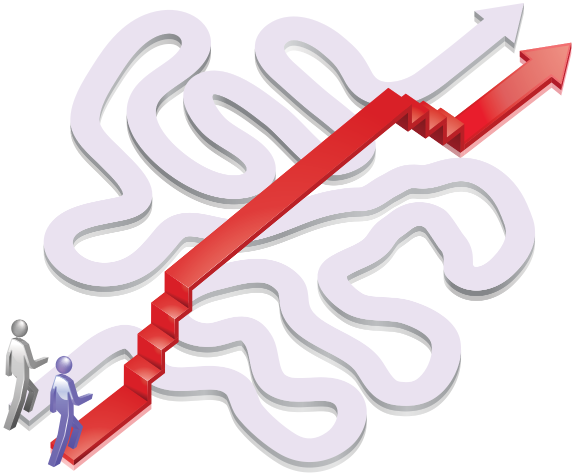


Smart strategies for the "New Economy"

Most people acknowledge the risk of needing long-term care at some point in their retirement years. Owning long-term care (LTC) insurance can help protect assets from the high cost of receiving care. It can also reduce the burden that often otherwise falls on family members.

This guide provides the most current information and highlights some newer concepts for making this valuable insurance protection significantly more affordable.

1 Look into some of the newer inflation growth options

You want your LTC insurance plan to account for the rising costs of care. That's smart planning.

The standard 5% compound inflation growth option, developed years ago, is the most expensive. It can double or even triple the cost of coverage, depending on your age when you apply.

Consider other inflation options as a way to save. Choices may include a 3% growth formula, one tied to an inflation indicator like the Consumer Price Index (CPI), or one offering the opportunity to increase coverage every few years. A newer option increases potential benefits as a constant percentage of reimbursable care costs. All are ways to save.

Comparing inflation growth options

	5% Compound	5% Simple	3% Compound	CPI[1] Compound
Today	$200,000	$200,000	$200,000	$200,000
10 Years	$326,000	$300,000	$269,000	$277,000
15 Years	$416,000	$350,000	$312,000	$325,000
20 Years	$531,000	$400,000	$361,000	$383,000

Choosing one of these options may enable you to save ***25–40%*** *per year on your annual premium costs versus selecting 5% compound*

SAVINGS TIP: If you or your partner/spouse have a birthday approaching in the next 2–3 months, now is a smart time to consider applying for LTC insurance coverage.

Rates are based on your "attained age," which means you'll pay more for the same coverage if you wait until after your birthday to apply.

2 Right-sizing your policy can lower your premium

LTC insurance plans that offer unlimited benefits (often called "lifetime" protection) are today's most costly, since there are no limits to the size of the total claim you'd be able to make.

Shorter duration policies, which offer a set benefit period, are less expensive and increasingly favored. Compared to an unlimited policy, they can help you save 30–50% each year. In fact, of the policies people are buying today, 70% have a benefit period between 3 and 5 years, which should provide ample coverage in most situations.

New sales by benefit period[2]

3 years	30%
4 years	19%
5 years	22%

Over ***70%*** *of people buy 3–5 year benefit periods*

1. Benefit increases based on a 3.3% average annual increase in the CPI over the 30-year period ending 12/31/10.
2. American Association for Long-Term Care Insurance, 2011 Sourcebook.

3 Sharing the risk can yield significant savings

"Self-funding" a greater portion of your cost of care can enable you to achieve significant savings. Based on the type of policy you buy, or how you design your policy, two examples of cost-sharing include:

- LTC policies that are designed as co-insurance, a common practice with health plans.
- LTC policies that offer an Elimination Period (EP), which is similar to a "deductible," require you to pay the cost of care for a specified period before benefit payments commence. A 90-day EP is the most common, and can help keep the cost of coverage in check.

4 Good health gets you good rates

Changes in health happen, and no one can predict when. Your health at the time you apply is a key variable in the premium you'll have to pay. If you are healthy today, which people tend to be when younger, you may be able to save **10–20% on your premium.**

You'll lock in savings by planning ahead — before you lose potential good-health discounts. If you have some existing health conditions, you may still be eligible for coverage. The only way to know is to ask an LTC insurance professional.

5 When you share, you can save

Parents teach the virtues of saving and sharing. You can accomplish both with long-term care insurance.

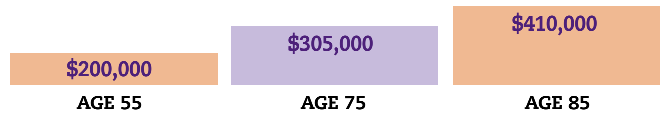
Most LTC insurance policies offer some form of "shared care" option, which allows couples to share benefits and also access a "couples/partners" discount that may enable you to **save 30%** on your premium. While provisions vary among insurers offering this option, the basic concept is providing a combined pool of total benefits available for either spouse (or both) to use.

What can you expect to pay?[3]

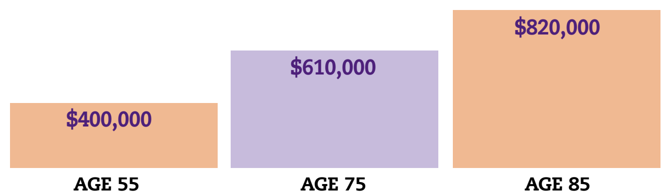
You may have never priced long-term care insurance. Or, maybe you once requested a price, but didn't act.

Here are two examples from the Association's 2011 Price Index. Along with the national average for yearly premium costs, we show the current as well as future value of benefits.

Individual policy
Single, age 55 Annual Premium = $1,480



Two policies with "shared care" option
Couple, ages 55/55 Annual Premium = $ 2,350



3. 2011 Long-Term Care Insurance Price Index, American Association for Long-Term Care Insurance analysis of leading insurers. Based on $150 daily benefit, three-year benefit period, preferred health, spousal discount for couple, and 3% compound inflation protection.

WHAT IS YOUR NEXT STEP?

Speak with your insurance or financial professional

Look at different policy designs.

✔ Find out what coverage costs
✔ Whether you can health qualify
✔ What discounts you can access

There is never a cost or obligation when you request this information.

LTC PLANNING GUIDES

Read the two guides from prior issues of Kiplinger's (Nov. 2010 and May 2011).
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www.aaltci.org/guides

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