

Long-Term Care Insurance: Your Health Is Your Wealth

**By Mike Steranka,
CEO, Retirement Planning Services**

The old adage, “your health is your wealth,” rings true when you consider the financial consequences of a major illness.

As baby boomers leave their careers behind, long-term care (LTC) insurance will become very important in financial strategies. The reasons to get an LTC policy after age 50 are very compelling. Your premium payments buy you access to a large pool of money, which can be used to pay for long term care. By paying for LTC out of that pool of money, you can preserve your retirement savings and income. The cost of assisted living or nursing home care alone could motivate you to pay the premiums.

Genworth Financial conducts a respected annual Cost of Care Survey to gauge the price of long term care in the U.S. The 2010 report found that:

1. In 2010, the median annual cost of a private room in a nursing home was \$75,190 or \$206 per day – \$14,965 more than it was in 2005.

2. A private one-bedroom unit in an assisted living facility has a median cost of \$3,185 a month – 12% higher than it was in 2009.

3. The median payment to a non-Medicare certified, state-licensed home health aide in 2010 was \$19 per hour, up 2.7% from 2009.

4. The most recent (2009) estimate of LTC costs from the U.S. Department of Health and Human Services was even higher than the Genworth survey - \$219 per day for a private room in a nursing home, or \$79,935 per year.

Can you imagine spending an extra \$30-80K out of your retirement savings in a year? What if you had to do it for more than one year?

AARP notes that approximately 60% of people over 65 will require some kind of long-term care during their lifetime.

Why procrastinate? The earlier you opt for LTC coverage, the cheaper the premiums. This is why many people purchase it before they retire. Those in poor health or over age 80 are frequently ineligible for coverage.

What It Pays For

Some people think LTC coverage just pays for nursing home care. That’s inaccurate; it can pay for a wide variety of nursing, social, and rehabilitative services at home and away from home, for people with a

chronic illness or disability or people who just need assistance bathing, eating or dressing.

Choosing A DBA

A Daily Benefit Amount (DBA) is the maximum your LTC plan will pay per day for care in a nursing home facility. You can choose a Daily Benefit Amount when you pay for your LTC coverage, and you can also choose the length of time you may receive the full DBA on a daily basis. The DBA typically ranges from a few dozen dollars to hundreds of dollars. Some of these plans offer “inflation protection” at enrollment, meaning every few years, you will have the chance to buy additional coverage that compounds - so your pool of money can grow.

The Medicare Misconception

Too many people think Medicare will pick up the cost of long-term care. Medicare is not long-term care insurance; it will only pay for the first 100 days of nursing home care, and only if you are getting skilled care or you go into the nursing home right after a hospital stay of at least three days. Medicare also covers limited home visits for skilled care,

and some hospice services for the terminally ill. That’s all!

Now, Medicaid can actually pay for long-term care – if you are destitute. But are you willing to wait until you are broke for a way to fund long term care?

Why not look into this? You may have heard that LTC insurance is expensive compared with some other policies, but the annual premiums may be quite affordable when compared to potential LTC costs. Ask your financial or insurance professional about the LTC choices you can explore – while many Americans have life, health and disability insurance, it’s not the same as long term care coverage.

Let Retirement Planning Services examine your needs for this type of insurance and your overall financial health. Never buy insurance without consulting a financial planner. For more information give RPS a call at 443-308-5200.

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CALL TODAY (443) 308-5200



Mike Steranka, CEO



RETIREMENT PLANNING

Services Incorporated

8530 Veterans Highway, 2nd Floor, Millersville, MD 21108

Tel: 443-308-5200 Fax: 410-451-2864

www.RPS123.com info@RPS123.com