

Preserving Your Assets and Your Dignity...

A Long-Term Care Review

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Your earning power – your ability to earn an income – is your most valuable asset.

Few people realize that a 30-year-old couple will earn 3.5 million dollars by age 65 if their total family income averages \$100,000 for their entire careers, without any raises.

You've worked hard and translated your earning power into financial security for yourself and your loved ones.

Without proper planning, however, a serious accident or illness could rob you of your financial independence.

Did You Know...

- At age 65, people face at least a 40% risk of entering a nursing home at some point in their lifetime and about 10% will have a stay of five years or longer. (Source: AHIP, A Guide to Long-Term Care Insurance, 2004)
- Because women generally outlive men by several years, they face a 50% greater likelihood than men of entering a nursing home after age 65. (Source: AHIP, A Guide to Long-Term Care Insurance, 2004)
- The average daily rate in 2007 for a private room in a nursing home was \$213, an increase of 3.4% from 2006. (Source: 2007 MetLife Market Survey of Nursing Home & Assisted Living Costs)
- The average length of a nursing home stay is about 2.4 years. (Source: CDC/NCHS Health Care in America, Trends in Utilization; U.S. Department of Health and Human Services; January 2004)
- At an average daily rate of \$213, an average nursing home stay of 2.4 years currently costs about \$186,000, making it virtually unaffordable for many Americans.

Separating **FICTION** from **FACT**

Few people are prepared to handle the financial burden of long-term health care. In fact, many people have a false sense of security when it comes to long-term care.

FICTION

"Medicare and my Medicare supplement policy will cover it."

FACT

In fact, Medicare and "Medigap" insurance were never intended to pay for ongoing, long-term care:

- Only about 12% of nursing home costs are paid by Medicare, for short-term skilled nursing home care following hospitalization. (Source: AHIP, A Guide to Long-Term Care Insurance, 2004)
- Medicare supplement insurance helps cover some of the gaps in Medicare coverage, but not long-term care. (Source: AHIP, A Guide to Long-Term Care Insurance, 2004)

FICTION

"It won't happen to me."

FACT

- At age 65, people face at least a 40% risk of entering a nursing home at some point in their lifetime and about 10% will have a stay of five years or longer. (Source: AHIP, A Guide to Long-Term Care Insurance, 2004)
- Women have a longer life expectancy than men...about 72% of nursing home residents are women. (Source: AARP Public Policy Institute, "Women and Long-Term Care," July 2002)

FICTION

"I can afford it."

FACT

- As a national average, a year in a nursing home is currently estimated to cost \$77,745. In some areas, it can easily cost \$100,000 or more! (Source: 2007 MetLife Survey of Nursing Home & Assisted Living Costs)
- The average length of a nursing home stay is about 2.4 years. (Source: CDC/NCHS Health Care in America, Trends in Utilization; U.S. Department of Health and Human Services, January 2004)
- The average cost of an assisted living facility in the U.S. was \$35,628 per year in 2007, The average monthly rate for assisted living facilities that provide Alzheimer's and dementia care is \$4,270, or \$51,240 annually. (Source: 2007 MetLife Market Survey of Nursing Home and Assisted Living Costs)
- Home health care is less expensive, but it still adds up. Bringing an aide into your home just three times a week easily can cost \$1,000 each month, or \$12,000 a year. (Source: AHIP, A Guide to Long-Term Care Insurance, 2004)

FICTION

*"If I can't afford it, I'll
go on Medicaid."*

FACT

Medicaid, or welfare assistance, has many "strings" attached and is only available to people who meet federal poverty guidelines. Medicaid is essentially a safety net for those who didn't adequately plan for their financial needs in retirement, or who encountered unexpectedly large expenses that depleted their financial resources.

There is, however, a potential remedy for this dilemma...

Whether purchased for yourself, your spouse or for an aging parent, long-term care insurance will help protect the assets you have accumulated over a lifetime from the ravages of long-term care costs.

A Potential Solution Using Long-Term Care Insurance:

Long-term care insurance purchased today can help provide you with the financial security you need and deserve in your retirement years. By acting today, while you are still healthy and active, you will have protection to handle whatever a long life brings!

PLUS, qualified long-term care insurance receives favorable income tax treatment.

Eligible Long-Term Care Insurance Premiums

Eligible premiums paid for qualified long-term care insurance can be applied toward meeting the 7.5% “floor” for medical expense deductions on your federal income tax return. The amount of eligible long-term care premium that can be applied to the 7.5% floor depends on your age and is adjusted each year for inflation...

If you are this age by the end of the year:	This is the maximum eligible long-term care premium for tax deduction purposes in 2008*:
40 or less	\$ 310
41 - 50	\$ 580
51 - 60	\$1,150
61 - 70	\$3,080
More than 70	\$3,850

* The maximum eligible long-term care premium is adjusted each year for inflation.

If your employer provides you with long-term care insurance under an accident and health plan for employees:

- Your employer can deduct the full premium it pays for long-term care coverage for its employees.
- Premiums paid by the employer are not taxable income to the employees.

If you are a sole proprietor, partner or S-corporation shareholder-employee:

Long-term care insurance premiums paid on your behalf by your business are taxable income to you. However, to the extent the premiums do not exceed the maximum eligible long-term care premium for tax deduction purposes shown above, qualified long-term care insurance premiums are eligible for the self-employed health insurance deduction.

Long-Term Care Insurance Benefits

The benefits from qualified long-term care insurance, for the most part, are not taxable income to the recipient, up to a per diem limit. The per diem limit, which is adjusted annually for inflation, is \$270 for 2008.

A Long-Term Care Insurance Checklist:

In purchasing long-term care insurance, it is important to select coverage that matches your needs and preferences. As you evaluate various policy features and benefits, however, keep in mind that the choices you make can affect the premiums you pay and the benefits you are entitled to receive.

Covered Services	What services are covered by the policy?
Benefit Amount	What is the daily benefit amount? Is it payable only while you are confined to a nursing home, or is a benefit also payable for home health care and other care alternatives? Does the policy have a maximum lifetime benefit?
Benefit Period	For how long are benefits payable? In a nursing home? At home? For an assisted living facility?
Elimination Period	When do benefits begin? For nursing home care? Home health care? An assisted living facility?
Maximum Lifetime Benefit	Does the policy have a maximum lifetime benefit? If so, what is it?

Pre-Existing Conditions	Are pre-existing conditions covered the same as any other conditions? If not, how long must you wait before they are covered?
Excluded Conditions	Are any conditions, such as Alzheimer's Disease, senility or dementia, excluded from coverage?
Inflation	Are benefit amounts adjusted to reflect increasing long-term care costs? How?
Prior Hospital Stay	Is a prior hospital stay required in order to receive benefits? Are medical certifications required in order to receive benefits?
Premiums Waived	Are premiums waived after you begin receiving benefits? When?
Guaranteed Renewable	Can you renew the coverage for life, so long as you pay the premiums when due?
Premium Increases	Can your premiums be increased? Under What conditions?

You Can Manage Your Finances...

It's by managing your finances that you write the story of your life. You are both the author and the story's principal character. Resolve to perform what you ought.

Benjamin Franklin