

April 17, 2020

Is Long-Term Care Insurance Right For You?



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The value of long-term care insurance (LTCI) is an ongoing conundrum. There's no doubt we're living longer. And, according to [LongTermCare.gov](https://www.longtermcare.gov), a site provided by the U.S. Department of Health and Human Services, at least 70 percent of people 65 and older will need long-term care services and support at some time in their lives.

A major concern is that LTCI is expensive, but then again, so are the costs of long-term care. For instance, the current median annual cost for assisted living is \$43,539; for a private room in a nursing home, it's \$92,378. Costs vary across the country—in California, that same private room costs \$112,055, and in Tennessee, \$75,716. But wherever you live, there's one constant: Costs are only going to go up.

Another concern is that there's no way to accurately predict whether you'll need long-term care. A lot depends on your own health and family history. However, planning for the eventuality is key.

It is important to consider all of your options for covering the cost. Many people don't realize that Medicare and other types of health insurance don't cover most of the cost of long-term care—what insurers call the "activities of daily living" such as bathing, dressing, eating, using the bathroom, and moving. Medicare will only pay for medically necessary skilled nursing and home care, such as giving shots and changing dressings, not assisted-living costs like bathing and eating. Supplemental insurance policies generally don't pay for this type of care either.

So what are your options?

1. If you have family to care for you, that might minimize your need for LTCI (realizing, of course, that providing this type of on-going, hands-on care can be a huge task for anyone).
2. Paying for care out-of-pocket may be an option, if you have considerable assets.
3. At the other extreme, people with a low net worth might qualify for long-term care provided under Medicaid.

However, if none of the above fits you, LTCI could be a worthwhile choice—as long as you do your homework.

Keep in mind not all insurance companies are created equal, and comparison shopping is a must. LTCI can cover a wide range of services, from home health care and nursing services to adult day care. But not all policies are the same, so it's very important to do your research. Start by checking the quality of

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the insurer: financial strength rating and length of time in business. Moody's Investor Service, Standard and Poor's, and A.M. Best are all reliable rating services.

Then, review the terms of the policy to make sure you understand:

- What's covered: Skilled nursing, custodial care, assisted living?
- Whether Alzheimer's disease is covered since this is a leading reason for needing long-term care
- Limitations on pre-existing conditions
- Maximum payouts and whether payments are adjusted for inflation
- Lag time until benefits kick in
- How long benefits will last
- Whether there is a waiver of premium benefit, which suspends premiums when you are collecting long-term care benefits
- Whether there is a non-forfeiture benefit, which offers limited coverage even if you cancel the policy
- Whether the current premiums are guaranteed in future years, or if there are constraints on future increase.
- How many times rates have increased in the past 10 years
- If you buy a group policy through an employer, find out if it's portable, meaning whether you can take it with you if you change jobs.

When is the best time to buy? LTCI can protect your retirement assets down the road, but you also need to consider the cost of premiums now—and in the future.

Generally speaking, age 50 to 65 is the most cost-effective time to buy LTCI if you're in good health. The younger you buy, the lower the cost—but you will be paying premiums for a longer period of time. On the flip side, premiums tend to go up the older and less healthy you are, and there's a chance you'll be denied coverage if your health deteriorates. So, while it's not inexpensive, buying LTCI sooner rather than later may be the smartest move.

As with most aspects of financial planning, there is no right or wrong answer for everyone. For those with enough assets to self-insure, that is often a very reasonable solution. If you are concerned you may not fall into that category buying insurance could be a smart way to protect yourself, your assets, and your family in case of a long illness. Just make sure you exercise a healthy dose of due diligence before you buy.