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LONG TERM CARE STRATEGY

Plan for the future

Securing the quality of life for your spouse, your family, and yourself when Long Term Care is needed

- The need for long term care has ***consequences*** not only for yourself, but your life partner and family as well.
- There are many life decisions such as where you decide to live, which will impact both lifestyles and potential long term care costs.
- This presentation will broadly provide general information on long term care, information on long term care costs, and your options to fund these costs..
- Although this presentation is geared to you and your spouse, we hope that it might be helpful as you assist your own parents and others.

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What’s this presentations about?

- 1) What does an overview long term care look like?
- 2) What are your options for providing long term care?
- 3) What are government and private ways to fund long term care?
- 4) What to consider when you develop a strategy for long term care?

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What does an overview of long term care look like?

- What is long term care?
- What are the chances of needing long term care?
- How much does long term care cost?
- How much money do you need to fund possible long term care costs?

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What is a long term care ?

Qualifying Conditions

- The inability to do two or more of the Activities of Daily Living (ADL's) eating, dressing, bathing, toileting, transferring, and continence.
- Or mental impairment such as Alzheimer's disease.

Types of Long Term Care Services

- Home Health Aides
- Skilled Nursing Facility Care
- Assisted Living Facility Care
- Group Homes
- Adult Day Care
- Nursing Home (Custodial) Care

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How much does Long Term Care Cost?
(Example 2023 Genworth Median Annual Long Term Care Costs-National)

- **Home Maker - $68,640** **(44 hours/week for 52 weeks)**
- **Home Health Aides- $75,504** **(44 hours/week for 52 weeks**
- **Adult Day Care - $24,700** **(5 days/week for 52 weeks)**
- **Assisted Living - $64,200** **(12 months, private, 1 BR)**
- **Nursing Home - $116,800** **(Private, 365 days)**

What are your chances of needing Long Term Care?

- 70% of people turning 65 will develop a severe long term need in their lifetime (Health and Human Services 2018).
- The average period of care for men aged 65 who need Long Term Care is 2.2 years (Morning Star 3/29/23).
- The average period of care for women aged 65 who need Long Term Care is 3.7 years. (Morning Star 3/29/23).
- 20% of long term care residents will require care for 5 years or longer (Morning Star 3/29/23).
- 48% pf people turning 65 will need some type of paid long term care services. (Morning Star 3/29/23).

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How much money do you need to finance possible long term care costs?

- **I don’t believe that there’s a definitive way to determine one’s long term care costs will be, but three guideposts are as follows:**
- ***<u>1) Average cost</u>***
- a) A Medicare HHS 2022 model indicates that on average every American turning 65 will incur **$120,900** in long term care costs
- b) A 2017 PWC study of long term care insurers showed that the average cost of long term care costs is **$172,000**.
- ***<u>2) Estimated specific costs (Morning Star 5/29/23</u>***
- a) The estimated cost for someone with dementia being cared for at home is **$321,780** (with mostly paid non-family care.
- b) The estimated cost for someone with dementia being cared for in a facility is **$195,176**.
- ***<u>3) The PWC report shows the distribution of 2017 long term care costs at $50,000 intervals</u>***
- A replica of the PWC chart is shown on the following page.

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PROBABILITY OF A CLAIM EXCEEDING EACH $50,000 COST BAND

Threshhold	***Probability***
$ 50,000	65%
$ 100,000	52%
$ 150,000	39%
$ 200,000	30%
$ 250,000	24%
$ 300,000	19%
$ 350,000	15%
$ 400,000	12%
$ 450,000	9%
$ 500,000	7%
$ 750,000	2%
$ 1,000,000	<1%

x

Long Term Care Strategy

- ***<u>What are the options for providing long term care?</u>***
- Aging in place by staying at home with or without non-family assistance.
- Aging in place by staying at home supported by a Medicare Program for All Inclusive Care (PACE) plan.
- Adult day care centers
- Assisted Living and Memory Care Facilities
- Group Homes
- Nursing Homes
- Continuous Progressive Care Facilities
- **Note these options are not mutually exclusive and may be used consecutively as well**
- **Medicare can pay for Skilled Nursing Facilities after a hospital admission, but not for long term care. This will be discussed later in the presentation.**

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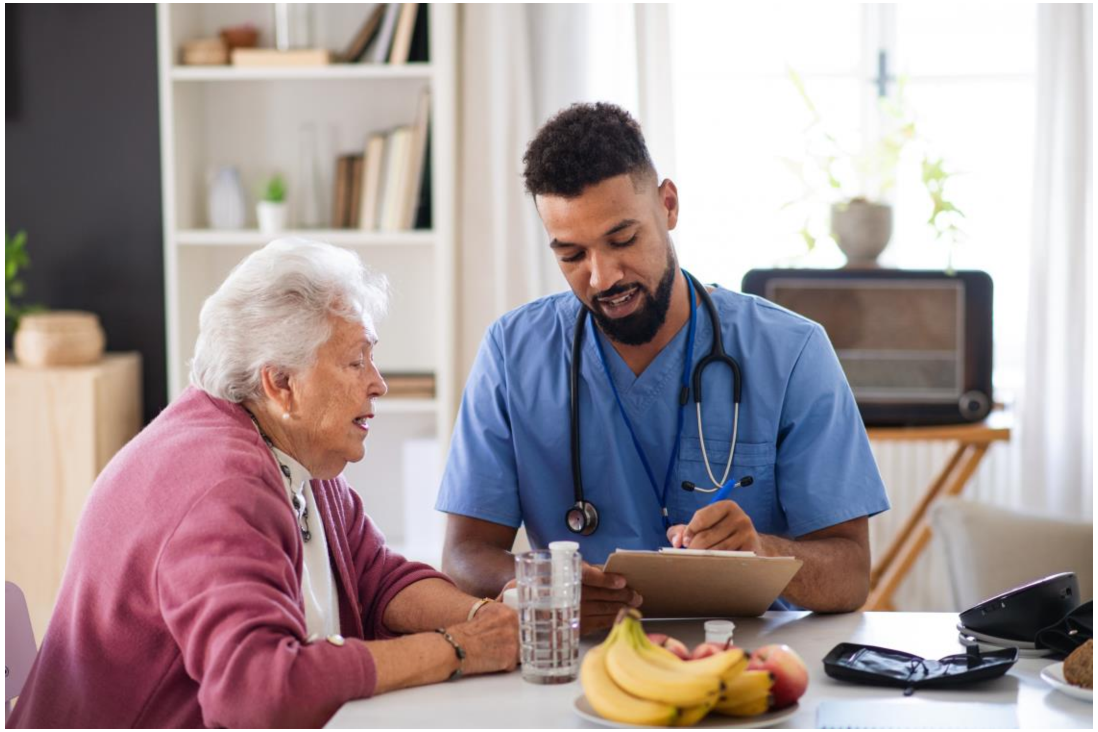
What is aging in place by staying at home with or without non-family assistance?

- One or more family member needs assistance with activities of daily living and can’t be left completely alone.
- There is usually one primary family caregiver, with some family support.
- Paid care givers such as certified Nurse Assistants may be used depending on the needs of the patient
- Paid care givers or other family members may provide respite care to give the primary family caregiver relief.



What are the strong points and possible issues with aging in place by staying at home?

Strong Points

- If primary caregiver is an unpaid family member and provide most of the care, this is the lowest cost option.
- Most people want to stay home if long term care is needed (88% AP NORC 2021)
- Family relations can be maintained.
- Long term care recipient can maintain existing doctor and other medical providers.
- Highest Caregiver to Patient Ratio.

Possible Issues

- Being a primary caregiver is a full-time demanding job.
- Willing and able unpaid family caregivers may not be available.
- If the primary care givers are paid caregivers, staying at home is usually the most expensive long term care option.
- Long term care recipients may need a level of care that cannot be provided at home.

What is aging in place by staying at home, augmented by a Program of All-Inclusive Care for the Elderly (PACE)?

- ***A PACE program can augment aging in place, as outlined in the previous slide***
- A PACE program provides comprehensive medical and social services to frail seniors who need a nursing home level of care, but who choose to and are capable of, living in the community, usually with the assistance of family.
- PACE provides the same care and services provided by Medicare and Medicaid.
- In addition, services usually associated with long home care such as social services, transportation, adult day care, and counseling may be covered.
- A team of medical and other professionals coordinate and provide comprehensive care
- PACE participants do not pay co-pay or deductibles, but non-Medicaid participants may pay a monthly premium.
- PACE replaces Original Medicare Parts A&B or a Medicare Advantage Plan
- PACE members without Medicaid pay the Part B premium, Part D Premium, and a premium for long term care services.
- PACE programs are available in SE MI and many areas, but they are not available in every State and Community.

What are strong points and possible issues with PACE plans?

Strong Points

- Combines Medicare and Medicaid to provide comprehensive integrated medical and long term home based care.
- Free for Medicare/Medicaid members, but non-Medicaid members may participate by paying a premium.
- Often used by dementia patients.

Possible Issues

- PACE members must use PACE network providers only.
- PACE plans are limited to specific geographical areas and are not available in every geographic area.
- Enrollment in a PACE program replaces Original Medicare or a Medicare Advantage plan.

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What are Adult Day Care Centers?

- Adult day care centers provide a safe secure setting for seniors who can not safely be left at home.
- Adult day care centers are usually community based programs that provide social interaction, mental stimulation, physical activities, and nutritious meals.
- Most adult day care center hours are open Monday through Friday during normal working hours, which allows caregivers to continue working.
- Most adult day care centers have a nurse on staff and some provide medical services such as physical therapy.
- There are specialized adult day care centers for dementia and Alzheimer’s disease.
- Adult day care centers could also augment an aging in place by staying at home strategy.
- Adult day care centers are usually less expensive than stay at home care services during working hours.
- **Adult day care can augment other long term care strategies, but since hours are usually limited to normal working hours, it cannot be a standalone option.**

What are Assisted Living and Memory care facilities?

- Assisted living facilities are for seniors that need help with the daily tasks of living such as grooming, bathing, toileting, eating, shopping and moving around.
- Assisted Living facilities typically have ample resources and large staffs.
- Assisted living is on the lower rung of the care ladder, when continuous medical attention may be needed.
- Assisted living services can sometimes be provided a la carte, as needed to seniors who live independently in an apartment type setting.
- If the level of assistance needed is greater, seniors may have a private or shared room rather than an apartment.
- Some of the services typically provided by assisted living facilities include meals, medical management, Rx drug management, laundry, transportation, and social and recreational activities.
- Memory care facilities are a type of assisted living that specialize in assisting residents with dementia and Alzheimer's disease.
- Specialized staff and safety protocols are needed for memory care

What are the strong points and possible issues with Assisted Living and Memory Care Facilities?

Strengths

- Provides a comprehensive safe alternative that provides needed assistance for seniors that no longer have the ability to live independently.
- Medical and Rx drug management.
- Social interaction.
- Typically committed to the dignity and welfare of the residents.

Possible Issues

- Relatively expensive.
- Only limited selected services are covered by Medicare and Medicaid.
- May or may not provide independent apartments.
- Assisted Living facilities vary, careful analysis needs to be done before selecting an assisted living facility.

What are Group Homes for long term care?

- Group homes are an alternative for assisted living for residents who need assistance or observation.
- Group homes provide a more family like alternative in a home rather than an institutional setting.
- Group homes have a small number or residents i.e. 5-20, creating a more favorable lower patient to staff ratio.
- Group homes typically have certified nurse assistants and other connections to Registered nurses.
- Depending on state regulations, group home costs might be covered by Medicaid.
- Group homes are usually less expensive than assisted living.
- Some group homes specializes in care for Dementia and Alzheimer's patients.

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What are the strong points and possible issues with group homes?

- **Strengths**
- Homelike family setting
- May be covered by Medicaid
- Better patient to staff ratio
- Smaller settings are better for residents with mobility issues

- **Possible Issues**
- Limited structured activities.
- Privacy can be an issue with fewer private rooms.
- Compatibility could be an issue
- Private pay if the resident or the group home does not qualify for Medicaid.

What are nursing homes for long term care?

- Nursing homes provide 24 hour a day skilled nursing facilities.
- Nursing homes are designed for seriously ill patients who need 24 hour a day care, but don’t require admission to the hospital.
- Nursing homes must provide a wide range of services such as physical therapy, personal hygiene, and social activities.
- Since nursing homes provide more intensive care, they are more expensive than assisted living or nursing care.
- Nursing homes may or may not accept Medicaid.
- Assisted living, group home members. Or aging in place seniors may move to nursing homes if their health issues become more serious.

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What are the strong points and possible issues with nursing homes?

- **Strong Point**
- Nursing homes provide the most comprehensive level of care.
- For more serious medical conditions nursing homes may be the only long term care option.
- Nursing homes may accept Medicaid.
- If a long term care patient is admitted to a nursing home after a hospital admission, nursing home care could qualify for the Medicare as a Skilled Nursing Facility for some period of time.

- **Possible Issues**
- Nursing homes are the most expensive type of long term care.
- Except for skilled nursing home care. following a hospital confinement Medicare does not ay for nursing home care.
- Some nursing homes will not accept Medicaid and require private payment.

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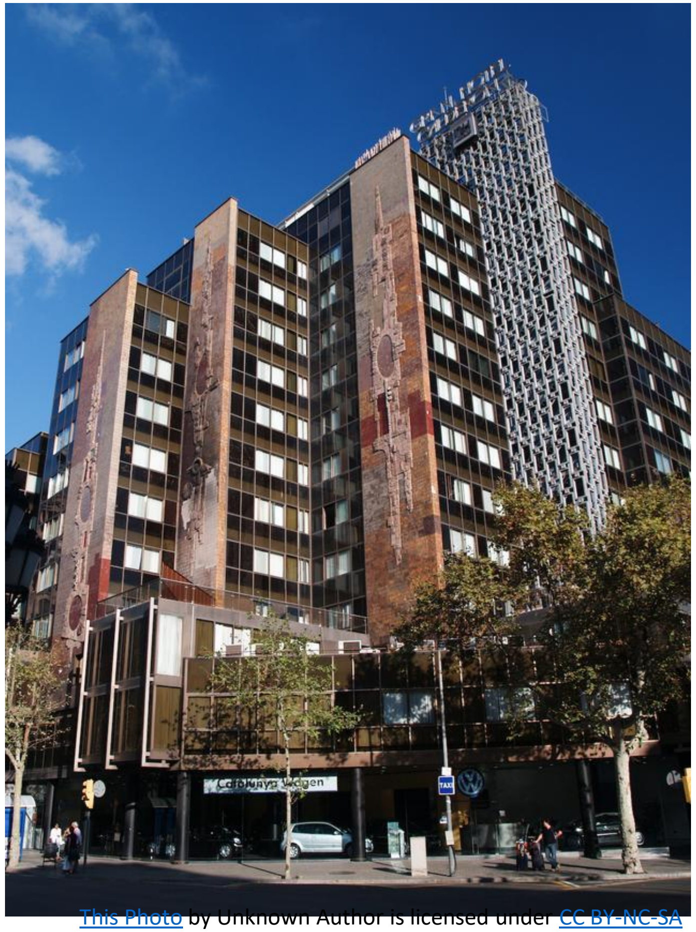
What are progressive continuous care senior facilities?



- Progressive Continuous Care Facilities have independent, assisted living, and nursing home facilities.
- Residents can progress to different types of care, as needed.
- There may be different costs for different levels of care, i.e., independent vs. assisted living.
- Progressive Continuous Care facilities often require up front payments.
- Home equity from sale of existing home could help to fund these upfront costs.
- Costs and quality of facilities could vary widely depending on location and other factors.
- Many Continuous care facilities bill for separately for long term care services as needed.
- Since Residents are tied to these communities, they need to carefully evaluate the quality of life, the quality of care, and the financial stability of the community.

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What are strong points and possible issues with progressive continuous care senior facilities?

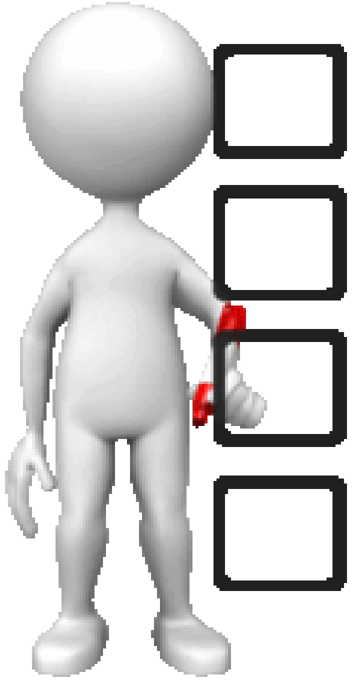
Strong Points

- If a substantial amount of upfront money is tendered, lifetime residence and long term care are provided.
- Many of the best progressive continuous care facilities will require up front payment.
- Can provide a safe caring environment.
- Specialized memory care facilities are available.
- Removes care burden from family.

Possible Issues

- Continuous care facilities are usually lifetime commitments, that are not easily reversed.
- Conditions in a care facility could change over the course of a lifetime.
- If a large upfront amount is not initially tendered, you would pay for long term care expenses on an ad hoc basis.

What are your options to fund possible long term care costs?



- Government plans available for long term care costs.
- Your income and financial assets
- Leveraging your home to finance long term care costs.
- Using insurance long term care products to fund long term care costs.

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What are government plans available for long term care costs?

- What does **Medicare** provide for long term care?
- What does **Medicaid** provide for long term care?
- **Note – For those who may served in the military it is always a good idea to check VA benefits. Due to the complexity of benefits and eligibility, VA benefits will not be addressed in this presentation.**

What does Medicare provide for long term care?

- Medicare covers a very limited amount of log term care expenses.
- In home nurses and certified nurse aides are generally not covered by Medicare.
- Most assisted living and group homes are not covered by Medicare.
- Nursing homes are also not covered by Medicare.
- However skilled nursing following a hospital admission for medical conditions other than dementia, which is similar to nursing home benefits may be covered until the patient and no longer requires skilled nursing care for that medical condition.
- Medicare may also cover durable medical equipment such as hospital beds and wheelchairs.
- Some Medicare Advantage plans are covering limited long term care home benefits.
- The only other exception for more extensive Medicare long term care benefits is the Medicare PACE programs described previously.

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What does Medicaid provide for long term care? Part 1

- Medicaid Plans are administered by each State and are heavily funded in part by the Federal government.
- Eligibility Requirements are State specific.
- Most states use Activities of Daily Living (ADL’s) and/or mental impairment to establish eligibility.
- Medicaid was designed for very low income beneficiaries, so middle income beneficiaries must drop to a low income and asset level to qualify for Medicaid Long Term Care benefits.
- **Medicaid Long Term Care applicants must meet Income and Asset Limits to qualify**

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What does Medicaid provide for long term care? Part 2

- $2,828 monthly income limit. (Michigan)
- $2,000 individual, $3,000 couple asset limit (with exceptions described on next slide).
- Medicaid pays for Nursing Home and Skilled Nursing Home Care.
- Medicaid was designed to pay for nursing home care but, it may also cover some Assisted Living (but not Room and Board), Adult Day Care, and Home Health Care under Home and Community – Based Service Waivers
- Not all health care facilities accept Medicaid and/or may limit the amount of Medicaid residents accepted.
- Assisted Living residence charges are usually NOT payable by Medicaid

A Discussion of Medicaid Long Term Care “Assets”

Exempt Assets are not included in the Medicaid Asset limits such as

- $2,000 or less in cash for a single person.
- Personal effects and household goods.
- Home equity up to $713,000 per individual (could be more or waived if a spouse, disabled dependents, and certain others reside in the home).
- One vehicle if used for recipient’s medical care, employment, or modified for disability.
- Life insurance with a face value of $1,500 or less.
- Joint bank account, if co-owner contributes an equal or greater amount
- Real estate or other tangible assets, if you attempted to sell at fair market value for at least a month.
- **Community Spouse Resource Allowance (CSRA), half of the countable assets up to $130,380, for non-institutionalized spouse. (The CSRA enables the spouse to pay bills to maintain the house or other usage**) – NOTE if institutionalized spouse is not in a nursing home, state rules need to be checked.
- Assets transferred **more than 60 months (claw back period)** prior to the Medicaid application.
- **Financial assets up to the benefits paid by a State partnership Long Term Care Insurance Plan.**
- **Assets include the recipient’s, the community spouse, and their combined assets.**
- **ALL OTHER ASSETS NOT EXEMPTED MUST BE SPENT DOWN TO QUALIFY FOR MEDICAID.**
- ***Community Spouse Monthly Income Maintenance limit $3,259.50 (could be more in some states)***

What are strong points and possible issues with Medicaid?

Strong Points

- Covers almost all the costs of institutional long term care.
- Available to almost all low income/asset beneficiaries.
- Medicaid can provide long term care for lower probability but catastrophic long term care costs for middle income seniors.

Possible Issues

- If you are not a low income/asset income beneficiary, you may have to become one to qualify for Medicaid,aka “spend down”
- Medicaid reimbursement for institutions and home caregivers are lower than market Therefore provider access may be limited, especially initially.
- Home based care is not uniform nationally and is in the development stage in some areas.
- Assisted living room and board charges are usually not paid by Medicaid.
- If your plan is to use Medicaid as your primary way to fund long term care, you may want to consult an Elder Care Attorney.

How can you use financial assets and/or income to fund long term care?

- Using your income to fund long term care costs.
- Using financial assets to fund long term care costs.
- Terminating life insurance to fund long term care costs.

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How can you use your income to fund long term care costs?

- You need to determine your net pre long term care income, which is your first line of defense.
- You may want to consider any changes to income i.e. reduction in pension income due to death of primary pension beneficiary, diminished investment income, etc.
- You need to determine your post long term costs i.e. Assisted living fees; Certified Nurse Assistant costs; home care supplies; and home modifications, if you're staying at home; and homemaker services.
- You may want to consider ongoing expenses i.e. property taxes, and home maintenance if you are staying at home.
- You may want to consider any post long term care expense reductions i.e. food expenses if an assisted living facility fees include meals.
- You may want to determine the costs for each of the options and offsetting income all of the options for delivering long term care that you are considering.
- By analyzing the cost and income outcomes for each long term care option that you are considering, you can get a much better idea of the amount of funding you will need, net of income.

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How can you use your financial assets to fund long term care costs?

- The first step in analyzing your financial assets is to inventory all of your financial assets.
- The next step may be to analyze what financial assets are available for covering long term care expenses.
- For example, financial assets that are used to provide income would not be available for long term care expenses unless you are willing to forgo that income.
- Cash is always king for long term care expenses.
- The availability of cash will depend on the liquidity of the financial assets.
- Since long term care expenses will usually be spread out over a period of time, a financial advisor may be helpful to maximize the investment income from the financial asset as they are being drawn down.
- **Once you combine your analysis of net income and financial assets available for long term care expenses, a picture of your ability to fund long term expenses will emerge.**

Terminating life insurance to fund long term care costs

- Life insurance settlement companies purchase life insurance policies that makes them the beneficiary of the death proceeds.
- In return the life insurance settlement company pays the owner of the life insurance policy funds that could pay for long term care.
- For those policy owners who are in a terminal status, viatical benefits (receiving some life insurance while still alive, usually if the beneficiary has a terminal condition) may be available to pay for long term care benefits as an advance on the face amount of a life insurance policy.
- Alternatively, permanent life insurance has a cash value settlement that can be used to fund long term care costs.
- If the beneficiary passes away, the life insurance face value of the policy plus interest can also be paid to the beneficiaries to fund long term care costs

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How can you use your home to fund long term care costs?

- A home is the largest financial asset for many and an important financial for most.
- One approach to monetizing the asset is to sell the home(s), relinquishing ownership rights.
- A reverse mortgage is an alternative way to monetize the home while retaining ownership rights until the mortgage holder(s) pass.
- **Using home equity or other loans are not included in this analysis, with the assumption that seniors would probably not have additional income to repay the loan**.

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Selling one’s home to fund long term care costs

- **Strong Point**
- 100% of the equity value of the home (after commissions and fees) will go to the long term care funders.
- The equity value could be a substantial amount.

- **Possible Issues**
- The seniors living in the home will have to leave i.e. move to assisted living, relative’s home, etc.
- The equity value of the home cannot be passed down as family wealth’ if the equity value is used for long term care.
- This may not be a possibility if one spouse remains in the house.

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What are Reverse Mortgages?

- **Loan based on the owner's home equity.**
- **Borrower receives lump sum or monthly payments.**
- **The amount owed can never exceed the home's value, regardless of how long the loan is outstanding or how much interest is accrued.**
- **Typically, the loan value may be in the 40-70% of home value.**
- **Must be age 62 or older to qualify.**
- **Must be FHA approved.**
- **As long as one borrower lives in the home the loan does not have to be repaid.**
- **Loan will be repaid when or all borrowers leave the home, i.e., surviving spouse passes away, or moves to a retirement or care facility.**
- **Higher closing fees**
- **Borrower(s) responsible for property taxes**
- **Could provide funds to pay for at home Long Term Care costs.**

What are strong points and possible issues with reverse mortgages?

Strong Points

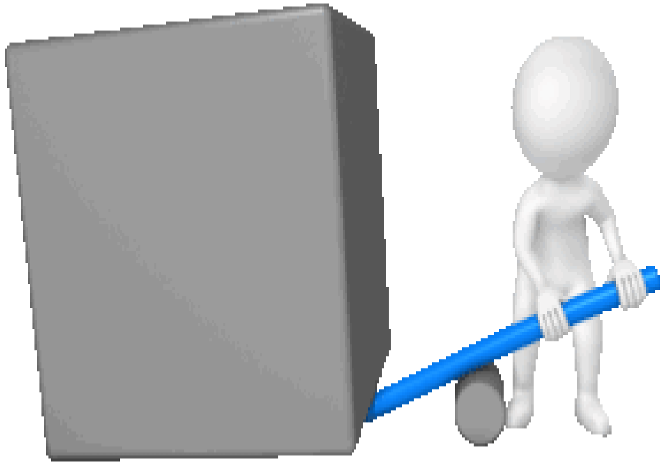
- Allows borrower to tap into your home equity to pay for long term care costs.
- Allows borrower and partner (who is named in the reverse mortgage) to stay in their home if you need long term care.
- FHA underwrites and regulates loans.
- In a housing downturn, if the borrower sells the home at the appraised value and the value is less than the loan (upside down), the borrower is not responsible for the shortage.

Possible Issues

- Loan must be repaid (usually by selling the home) when the last loan recipient passes on or leaves home.
- The home cannot be passed down to the family, a particular issue if the family is intergenerational.
- The home equity amount may not be sufficient for long term care costs.
- Proceeds from a home equity loan could create issues with Medicaid eligibility.

How can you use Insurance to provide financial leverage for long term care funding?

- Premiums initially provide maximum long term care benefits of typically 40 times the premium.
- Although the ratio of maximum long term care benefits will drop as premiums accumulate, it is highly unlikely that accumulated premium will ever exceed the maximum benefit.
- With single premium long term care hybrid products, the maximum long term care benefits are often 2 to 3 times the single premium.
- The value of accumulated investments with interest are usually well below the maximum long term care benefits of insured products.



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How can you use insurance to fund long term care costs?

- **Long Term Care Insurance.**
- **Long Term Care Insurance Partnership Plans.**
- **Life Insurance with Long Term Care Riders.**
- **Hybrid Long Term Care Life Insurance and Annuity Products.**
- **Short Term Care Insurance.**

What is Long Term Care (LTC) Insurance?

- Most LTC plans pay for all types of LTC costs, i.e., home care, assisted living, nursing home care, etc.
- Most LTC policies have lifetime dollar or year maximums.
- Most LTC policies have monthly and/or daily limits.
- Typically policies have a waiting period before benefits start.
- LTC policies cannot be canceled, except for non-payment of premiums.
- However, LTC premiums will usually rise as policyholders age.
- Rate increases could vary significantly by company, so evaluating a company's financial position is important.
- LTC policies are medically underwritten and it will be difficult to be accepted if you have health issues.
- Like Auto Insurance, there is no policy equity, BUT return of premium options available.
- LTC policies provide the most benefits for the premium dollar (maximum leverage).
- LTC policies provide a pool of money if you have insufficient financial assets.

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What is a Long Term Care (LTC) Partnership Plan?

- A LTC Partnership Plan is a special type of Long Term Care Insurance offered by many Long Term Care Insurers partnering with most states, including MI.
- "Asset Disregard" provision allows policyholders to protect financial assets in an amount equal to long term care benefits paid under a LTC Partnership program.
- For example, if an LTC Partnership plan pays $50,000 in LTC benefits, then the $50,000 will be disregarded (protected) for community spouse or family, when assets are considered for eligibility for State Medicaid benefits.
- State Medicaid programs typically only allow applicants to have $2,000 for most types of financial assets to qualify for Medicaid.
- State LTC Partnership programs always include inflation protection provisions, which provides value, but be more expensive than policies without it.
- Most other provisions are the same as other LTC Insurance.

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What are strong points and possible issues with long term care insurance?

Strong Points

- Provides a pool of money for long term care expenses. Cash is king.
- Flexibility on type of long term care provided i.e. home care or residential.
- Provides maximum financial leverage.
- Monthly, quarterly, or annual premiums can be more easily budgeted, so that it can possibly paid from income, rather than drawing down financial assets.
- Since long term care services are paid at a higher level than Medicaid, there is often a greater inital choice of providers, even if Medicaid is eventually needed.

Possible Issues

- Medical underwriting, may make it difficult to qualify if you have pre-existing conditions.
- Premiums will likely increase with age.
- There is no equity for premiums paid. However, there are return of premium plans available which will pay an amount equal to premiums paid, if one passes before any benefits are paid.
- Separate policies may be needed for each spouse for maximum protection, but joint policies and two-person discount are available.

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What is Life Insurance with Long Term Care Riders?

- ***<u>What is Life Insurance with Long Term Care Riders</u>***
- Life Insurance which builds cash values
- Long Term care rider will pay up to the **face amount** if beneficiary cannot perform usually 2 or more Activities of Daily Living.
- If long term care is Not needed life insurance benefits are available
- LTC benefits paid will reduce the face amount of death benefit.
- ***<u>What are strong points with Life Insurance with LTC Riders</u>***
- Less rigorous medical underwriting than stand alone LTC plans
- Monthly premiums rather than upfront payment can be used.
- Provides a pool of cash if you have insufficient financial assets.
- If Long Term Care Benefits are not used, the face amount will be payable upon the insured’s death.
- ***<u>What are possible issues</u>***
- High life insurance face values are needed for adequate long term care protection.

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How can 1035 exchanges reposition existing non-qualified cash value life insurance and annuities to finance long term care costs with favorable tax treatment?

- 1035 exchanges were created by the IRS tax code to allow for switching from older comparable life insurance policies or annuities to a newer policies, without tax consequences.
- This allows the older life insurance or annuity policies to partially or fully fund hybrid life insurance or annuities with long term care benefits.
- With some hybrid annuities with long term care benefits, long term care benefits paid from the hybrid annuity policy may not be taxable.

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What is hybrid life insurance with long term care insurance?

- **A combination of life insurance and long term care benefits in one product.**
- **Long term care insurance pays up to the face amount of the life insurance.**
- **Long Term care benefits reduce the face amount of life insurance, payable upon death.**
- **Typically, continuation of benefits can be purchased to double, triple, or more the long term care insurance available.**
- **Permanent life insurance features and process such as cash surrender, waiver of premium, and medical underwriting could apply**
- **Payment is usually an upfront single premium.**
- **However, some policies now allow paying in installments, i.e., 5 years**
- **Some hybrid life policies now cover both spouses.**
- **There are a wide variety of hybrid products with many different types, terms and provisions.**

What are strong points and possible issues with hybrid life insurance with long term care benefits?

Strong Points

- Increases long term care coverage by a multiple of 2,3,5,or more of a single premium i.e. a $100,000 single premium could provide $300,000 of long term care benefits or more.
- Provides life insurance equal to at least the single premium.
- Other payment options such as 5, 10, or 20 pay may be available.
- Long term care benefits are tax free.
- Joint policies offered by some companies.
- Premiums and benefits are guaranteed.
- You would still have a life insurance asset if some if you don’t use it for long term care.

Possible Issues

- Large amounts needed upfront or over a 5,10,or 20 year period.
- Medically underwritten, although less stringent than traditional long term care benefits.
- Other non-guaranteed life insurance may have better returns.
- Life insurance would no longer be a financial asset for other purposes if you use it for long term care.

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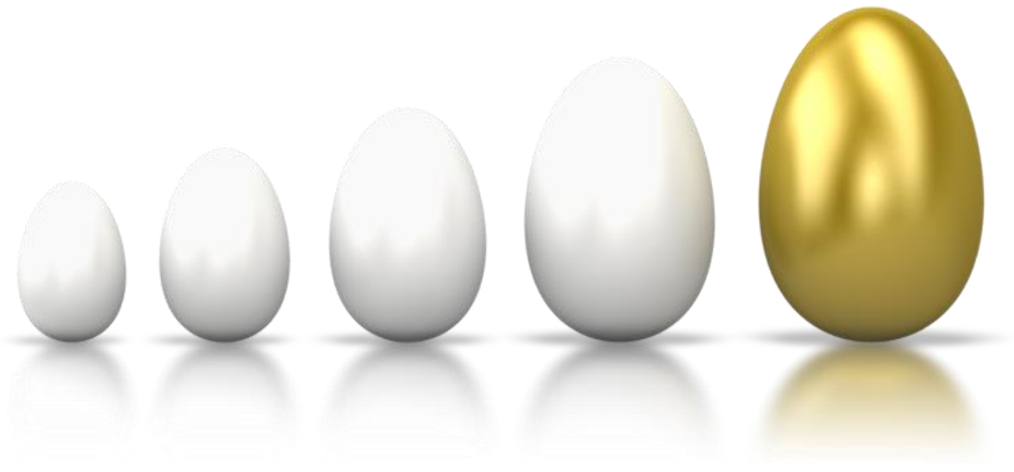
What is a hybrid annuity with long term care benefits?

- An annuity with long term care benefit riders.
- Can provide long term care benefits of two, three, or more times the original investment.
- Similar to life insurance with long term care.
- The annuity is your asset, reduced by any long term care benefits paid.
- The annuity is geared to increase your long term care protection, through continuation of benefits riders, which provide long term care benefits in multiples of your initial investment.



What are strong points and possible issues with hybrid annuities with long term care benefits?

Strong Points

- Increases long term care coverage by a multiple of 2,3,5,or more of the initial investment i.e. a $100,000 annuity could provide $300,000 of long term care benefits or more.
- Less complicated than hybrid life and long term care benefits.
- Other payment options such as 5, 10, or 20 pay may be available.
- Long term care benefits are tax free.
- Benefits are guaranteed.
- You still have the annuity if you don’t use it for long term care expenses.

Possible Issues

- Large amounts needed upfront or over a 5,10,or 20 year period.
- Less stringent medical underwriting than hybrid life insurance and long term care
- Other annuities may have better returns, but do not offer comparable long term care benefits.
- If use the hybrid annuity for long term care it will no longer be available for other purposes.

How can you reposition qualified money (i.e.401K,IRA,403b)to finance long term care costs with favorable tax treatment?

- Qualified funds such as 401k's, 403b's, IRA's, etc. can be directly transferred or rolled over to fund some Life Insurance or Annuities with long term care insurance.
- Distributions from hybrid annuities with long term care could count as Required Minimum Distributions (RMD's) for qualified funds.
- With some products long term care claim expenses are tax free from day one.

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What is Short Term Care Insurance?

- ***<u>What is Short Term Care Insurance?</u>***
- Insurance coverage usually for home and institutional care for a period of usually a year or less.
- Typically have per day benefits i.e. $100-$300 per day.
- May have total weekly benefits of about $1,050.
- Usually starts immediately with no waiting period.
- Could provide a gap during long term care elimination period before long term care insurance starts.
- Less rigorous medical underwriting.
- Applicants could be up to age 90.
- **Example – Age 65, $300@day 360 days, no waiting period nursing home and $1,200@week for 52 weeks about $170 a month premium.**

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What are strong points and possible issues with short term care insurance?

Strong Points

- Benefits usually starts immediately with no waiting period.
- With no waiting periods short term care could fill immediate gaps, allowing time to exercise other alternatives such as selling property.
- Less strict medical underwriting.
- Available up to age 90.
- More affordable than long term care insurance.

Possible Issues

- Short term care policies are usually one year policies.
- Once maximum benefits for short term plans are paid out, they cannot be renewed.
- Additional financing options needed for long term care longer than a year.

Seven critical factors for your long term care strategy

- 1) Your situation may evolve and change.
- 2) Some choices may preclude other choices on the decision tree.
- 3) Where you choose to live will drive other choices.
- 4) If you have a spouse, you may need to frame your decision as both a couple and as a surviving spouse.
- 5) Family support for your long term care is a critical family affair.
- 6) What income, financial assets, your home an insurance products will use to pay for your long term care expenses?.
- 7) You need to balance your risk tolerance for long term care cost with your lifestyle choices.

1) Your situation may evolve and change

- Your health may change as you age.
- You may need different levels of assistance.
- Your expenses may change
- You may need to change where you live.
- You want to live your best life with each change.

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2) Some choices may preclude other choices on the decision tree

- ***Examples***
- If you choose a progressive continual care facility you may have to make a large upfront payment, which could be difficult to recoup if you find that you don't like the facility.
- If you receive 24 hour care at home you many not have enough funds to go to the senior facility of your choice.

3) Where you choose to live will drive other choices

Examples

- If you live with or close to a family caregiver support is possible.
- Certain facilities and programs such as PACE plans and adult day care centers may be more available in larger communities.
- Moving into a progressive continuous care facility that requires a large upfront payment may make it difficult to change course.
- Not initially moving into a desirable continuous care facility may make it difficult or impossible to move into more advanced level of care such as nursing home facilities may not be available.
- Being accustomed to staying at home for an extended period of time may make it harder to moving into a facility.

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4) If you have a spouse, you may need to frame your decision as both a couple and as a surviving spouse

- It's likely that one spouse may outlive the other.
- Long term care needs and emotional support for a surviving spouse are different from a couple.
- Aging in place or staying at home is usually more difficult for a surviving spouse than when they were a couple.
- Long term care insurance is often written on an individual basis, so that the long term care insurance benefits of a deceased spouse does not pass on to the surviving spouse.
- Life insurance is also written on an individual basis, so the same concept applies
- Therefore, individual policies with enough benefits alone or joint policies could be necessary.
- All financial assets, including hybrid Life and Annuity long term care plans need to be in the names of both spouses.
- **With reverse mortgages it is essential that the home and the reverse mortgage is in both spouses' names, so that the surviving spouse can remain in the home**.

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5) Family support with your long term care is a family affair

- If you are fortunate enough to have family support, it's important to have a clear understanding of your expectations and your family's.
- Family support can greatly reduce long term care costs.
- Having financial or other means to finance long term care costs will make it possible for family involvement when you need long term care services.
- Family members who help you with long term care can be rewarded from your estate

6) What funding options will you use to pay for your long term care expenses?

- You need to identify and quantify all of the previously described options to fund long term care cost.
- Once you have a total amount of current funding available for long term care costs you can see how much financial protection you can afford.
- You also need to consider the consequences of your funding options such as selling or reverse mortgaging your home or winding down your assets and income to enroll in Medicaid.
- Rank the order that you will use your funding options.
- **Insurance options can bridge the gap before possibly having to resort to Medicaid.**

7) You need to balance your risk tolerance for long term care cost with your lifestyle choices

- No one can predict what your long term care expenses will be.
- The more you budget for long term care the less your financial risk.
- But the more you budget for long term care, the less you have for your lifestyle budget.
- This is one of the most difficult decisions you'll have to make.
- But it's better to make a thoughtful well reasoned decision than none at all.

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The Big Question – Given all this information and the seven critical factors, can you fund long term care costs with your financial assets, insurance, and other funding options ?

- It’s difficult to think about needing long term care, but it the odds that all of us will need some degree of long term care are high.
- Making on the spot decision when the long term care is suddenly needed is not a good idea.
- Difficult questions need to be addressed in advance to achieve the best outcomes.

How Double Health USA can help you with your long term care strategy

- Double Health USA can help you develop your long term care plan.
- For most insurance related options we can help you analyze, select, enroll, and troubleshoot long term care products.
- To help give you the full range of of long term care financing options, Double Health USA can give you layman level of information on non-insurance funding options. But non-insurance options such as reverse mortgages and Medicaid maximum strategies may require other professionals.

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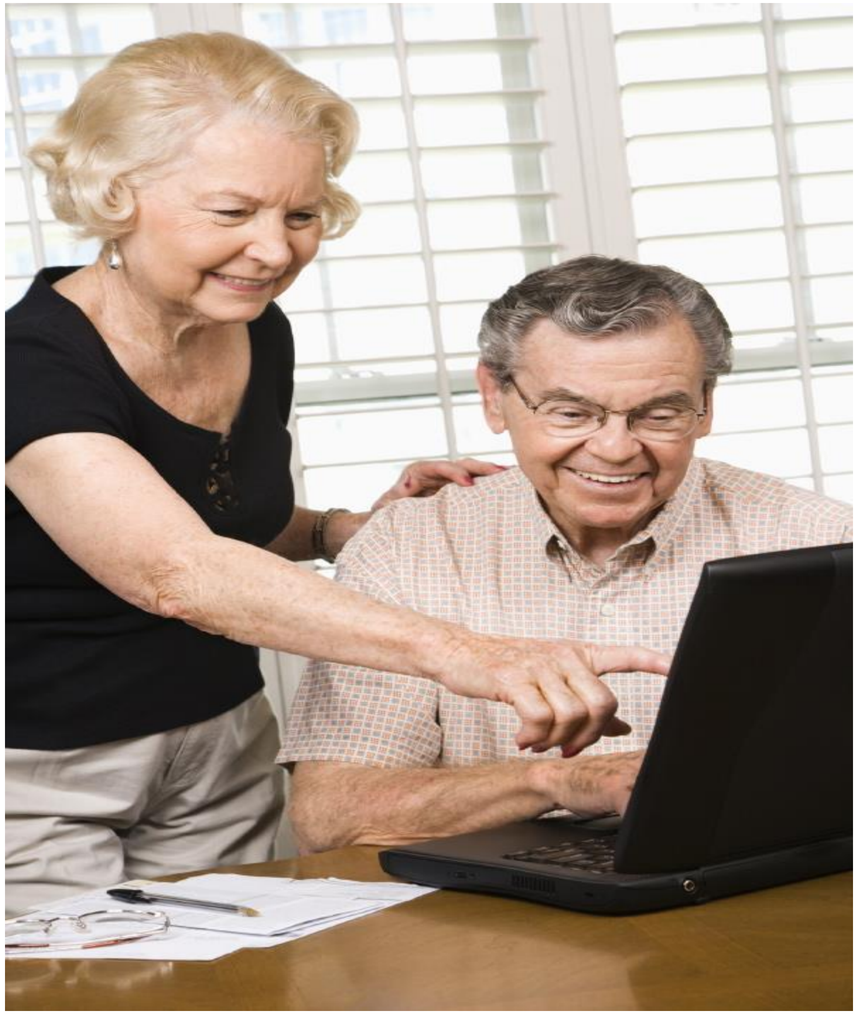

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We hope to hear from you!