

How to Talk About Long-Term Care Insurance

A guide for insurance
agents & financial
professionals.



DIOLTC
INSURANCE SERVICES



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Fact-Finding: Getting Basic Information



The first step of the process is getting basic information for a quote. Collecting information is important for quoting the correct rate, plus it's also a great way to prequalify a client to see if they're a good candidate for long-term care insurance. Here's what's needed:

- Full name
- Date of birth
- Gender
- Health history
- Medications
- Net worth
- Marital status
- Is spouse applying?
- If so:
 - Spouse name
 - Date of birth
 - Gender
 - Health history
 - Medications

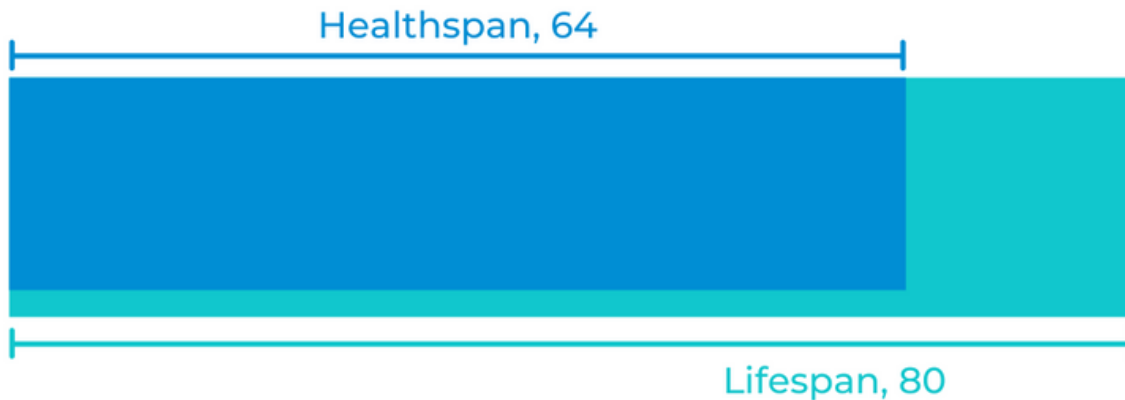
LTC QUICK QUOTE

Gather the right information from the start to better help your clients.

- 1 Full name:
- 2 Date of birth: Gender:
- 3 Health history & medications:
- 4 Net worth:
- 5 Marital status: Is spouse applying? Y N
Spouse name:
Spouse DOB: Gender:
Spouse health history & medications:

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Addressing the Need: Lifespan vs. Healthspan



The World Health Organization, Europe, 2018

While "healthspan" isn't a number as easily calculated as lifespan, the World Health Organization compiled data that shows the number of "healthy life years" expected for both men and women in the European region in 2018. It showed a **healthspan of 63.7 for men and 64.2 for women**, while the average **life expectancy** in Europe **is about 80 years old**. Healthspan for Americans may be similar since the U.S. life expectancy rate is about 78.5 years. That's at least 20% of your life!

Statistics like the above can help paint the picture for your clients why long-term care insurance may be helpful. Below are a few more stats that might pique interest in the LTC conversation:

Addressing the Need: Lifespan vs. Healthspan



- By 2030, all baby boomers will be age 65 or older (U.S. Census)
- Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and support (LongTermCare.gov)
- Someone who buys a policy at age 60 has a 50% chance of using it (AALTCI)

Like many industries, the long-term care insurance industry runs on supply and demand. Rates are already increasing as more and more of our population ages. As healthspans expire, the need for long-term care rises. Securing a policy now insures against the risk of being left without.

**Someone who buys a
policy at age 60 has a
50% chance of using it**

Addressing the Why: Personal Stories



Nearly everyone has a caregiving story; the need for long-term care affects almost all Americans at some point. Ours is why we got into the long-term care insurance industry. Discussing these personal stories with clients can shed light on how long-term care insurance can help.

Back in the 1990s, Jack's mom (Grandma Liz) was diagnosed with Parkinson's and needed around-the-clock care. The cost of care in addition to the lack of care coordination forced our family to sell her house and move her into a nursing facility.

Jack and Diana were young parents with small children and an aging mother to care for -- plus a business to run! Like so many other Americans, they were stressed-out caregivers trying to make ends meet.

The environment at the MediCal facility our grandma ended up in was far from ideal. However, it is not lost on us that we were more fortunate than most -- being able to rely on skilled workers to care for Grandma Liz rather than her son and daughter-in-law having to care for her for 24 hours a day. This allowed Jack and Diana to run and build the business we all know today.

Addressing the Why: Personal Stories



On the one hand, caregiving, while an essential and selfless act, is challenging and can change relationships between those who are family. On the other hand, sending your loved one to a nursing home may not be your favorite choice either. According to a very recent study, "45% of all COVID-19 deaths have taken place in nursing homes and assisted living facilities." LTCi gives people the choice to receive professional care at home.

There's no cut-and-dry solution here. That's where starting these conversations with clients comes in --

to figure out what's best for their situation. What long-term care insurance can do for folks is give them more autonomy over their fate when they need care. And being able to stay at home with a hired skilled homecare worker versus having to move to a nursing home or assisted living facility can mean all the difference.

A dark blue rectangular callout box with white text and a small circular logo. The box has a decorative border of white and light blue lines. The text inside reads: "45% of all COVID-19 deaths have taken place in nursing homes and assisted living facilities." Below this, it says "The Foundation for Research on Equal Opportunity, freopp.org". A small version of the circular logo from the top right is positioned to the right of the opening quote mark.

“
45% of all COVID-19
deaths have taken
place in nursing
homes and assisted
living facilities.”
The Foundation for Research on
Equal Opportunity, freopp.org

Defining Long-Term Care (& Insurance)



When starting the conversation with clients, you'll probably need to take a step back and explain what long-term care is.

Long-term care is “**a range of services and supports** you may need to meet your personal care needs. Most long-term care is not medical care, but rather assistance with the basic personal tasks of everyday life,” also known as Activities of Daily Living (ADLs).

ADLs include bathing, dressing, eating, toileting, continence, and transferring. Bathing and dressing are typically the first two to go.

The most common types of care are **nursing, residential, community, and home.**

Nursing care (Skilled Nursing Facility) is a facility with around-the-clock trained professionals to care for residents with severe illnesses or injuries.

An assisted living facility (or **residential care**) is for those who need help with some things but do not need 24-hour care.

Defining Long-Term Care (& Insurance)



Continuing care retirement **communities** are a mixed campus of nursing and assisted living for an easier transition between the two.

And **home care** sounds like it is—being able to stay in your home to receive care by a professional aide or other caregiver.

A long-term care insurance policy reimburses the policyowner for long-term care services and support (up to a daily or monthly maximum). The policy covers acute needs as well as custodial needs and can even pay for the coordination of care.

Having an LTCi policy in place is useful for family members wanting to ensure their loved ones will be taken care of when needed.

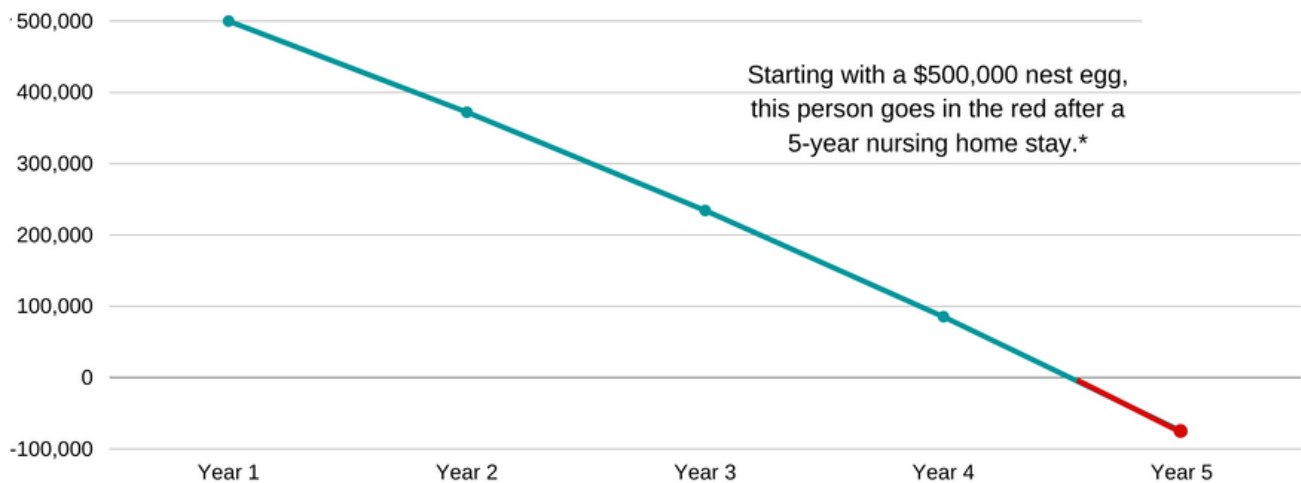
An LTCi policy reimburses the policyowner for LTC services/support (up to a daily or monthly maximum)

The Real Cost of Long-Term Care



How long-term care can drain your assets

*Numbers based on Genworth Cost of Care Report 2020



The point of having a long-term care insurance policy in place is to help pay for long-term care services and support. Do your potential clients think they can't afford a policy? Well, then they unfortunately can't afford to pay for long-term care services either. The \$200 or so a month for premium way more than pays for itself when you look at the actual cost of care.

In the state of California, the average **daily** cost of:

- A home health aide is \$176,
- An assisted living facility is \$148, and
- A private room in a nursing facility is \$350.

The Real Cost of Long-Term Care



That is an average **monthly** cost of:

- \$5,339 for a home health aide,
- \$4,500 for an assisted living facility, and
- \$10,646 for a private room in a nursing home.

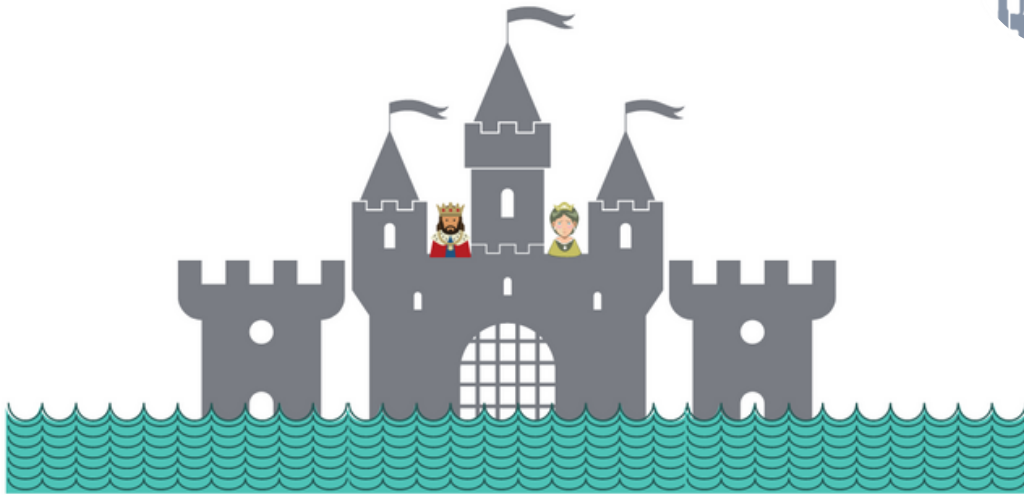
Which totals to an average **annual** cost of:

- \$64,064 for a home health aide,
- \$54,000 for an assisted living facility, and
- \$127,750 for a private room in a nursing home.

And these numbers increased from 2018 to 2019 at an average rate of about 7.12% (See [Genworth's Cost of Care Report](#) here). The above graphic gives an idea of the huge loss a few years in a California nursing home can do to someone's retirement savings. Long-term care insurance can help keep those costs down.

The average monthly cost for a home health aide in California is over \$5,000

Protecting Hard-Earned Assets

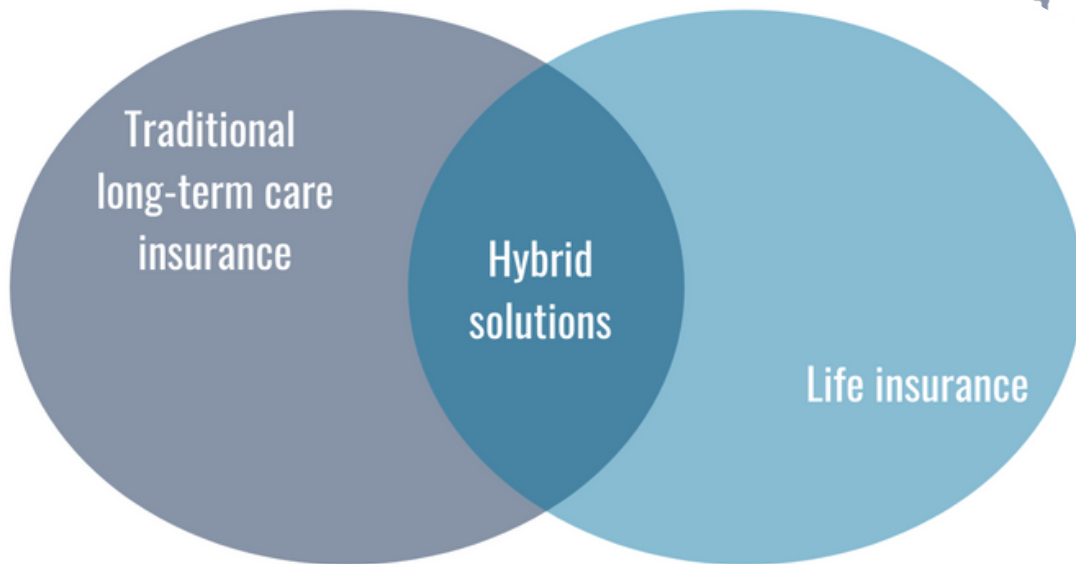


The point of a long-term care insurance policy is to protect assets during a long-term care event. Think of how a **moat** protects a **castle**. An LTC policy (moat) slows the onslaught and gives you time to defend your assets (castle). The bigger the moat, the more time you have.

Your clients, a king and queen (both age 55), have a \$1 million castle and are preparing for battle. You have the good fortune of assuring them that they don't have to mortgage the castle to build a good moat.

The average cost of homecare (castlecare?) is \$30/hour or approximately \$5,000/month based on a 40-hour workweek. A benefit of \$5,000 per month, compounding by 3% each year, will give them \$500,000 (of moat) to protect their \$1 million castle. This moat plan comes out to just \$474 a month in combined premium—a manageable premium for a solid moat.

Types of Long-Term Care Solutions



In this step of the long-term care insurance conversation, you're going to finally start discussing solutions. **Let's jump into types of solutions for your clients.**

Tax-Qualified Long-Term Care

Tax-qualified long-term care insurance (aka TQLTC, Traditional LTC, or Standalone LTC) is tax-advantaged and perhaps the most effective LTC solution on a dollar-for-dollar basis. Regular annual premiums are paid to secure an exponentially larger amount of benefit to be used for long-term care supports and services. The benefit pool is typically purchased to include a guaranteed inflation rider to ensure that benefits are meaningful at the time of claim.

Types of Long-Term Care Solutions



Tax-Qualified Long-Term Care

This solution is great for a couple in good health and within the age range of 55 and 70. They have retirement savings of \$500,000+ and would like to protect a chunk of their hard-earned assets. They have no need for a life insurance product anymore but would like to have coverage for any potential need for long-term care services down the line. They do not want to spend down their assets to qualify for MediCal/Medicaid and end up in a nursing home.

Accelerated Death Benefits

Accelerated death benefits may be accessible on a life insurance policy which allows for earlier access to the death benefit (before death) in the event of a terminal illness. This is not considered a long-term care solution. However, some newer policies are using benefit eligibility criteria that may include chronic illness. It is very important to check the definitions in these types of policies because there is such a wide variety.

Types of Long-Term Care Solutions



Linked Benefits

Linked-benefit long-term care insurance (aka Asset-Based Life/LTC, or Hybrid LTC) may be a solution for those clients who have the means to secure a single-premium solution usually in the six-figure range. One payment with a Linked Benefit plan can secure a strong long-term care policy in addition to a modest life insurance death benefit if the long-term care coverage is never needed. Return of premium is generally a feature as well. Life pay options are available, and when compared to traditional LTC, you will clearly see the additional cost to having guaranteed premiums and a return of premium less claims at death.

We talk a lot about tax-qualified long-term care insurance because, more often than not, it's the most desirable tool for the job. However, not everyone's financial plan is the same, and other options such as linked benefits may work better for your client. It's about understanding the products and determining what's best for your client(s). Feel free to contact us to discuss your client's situation so we can help you decide the best way to protect their assets while you **help them stay out of the nursing home!**

Reviewing LTC Illustrations



It's time to finally present a solution to your client! A seven-step selling process may seem daunting at first, but if getting people covered with long-term care insurance was easy, everyone would do it. To help you, we created an interactive LTC planning worksheet.

By gathering this information throughout communication with your client, you can better paint a picture of how long-term care insurance will help their specific future plans. At this point, the client should have a good idea of the importance of LTCi and you'll be able to review the illustrations together to pare down exact benefit structures and premiums that work for them.

LONG-TERM CARE PLANNING WORKSHEET

Name: _____ DOB: _____ Marital Status: _____

INTRODUCTION

If you got sick tomorrow and needed care where would you want to receive those services?

Which asset will you liquidate first to pay for that care?

If there was a better way to pay, is this something we should take a look at?

EXPERIENCE

Why is the topic of long-term care of interest to you?


Did any family members have any care needs?

If so, what was the cause of those needs?

What was the duration?

What was the approximate cost?

Do you have any caregiving experience?



PLANNING

Where do you currently live?

Do you plan on living there forever?

If not, where do you plan to retire?

Do you know the cost of care in your area?

Are friends and family part of your caregiving plan?



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We are here to help along the way.

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