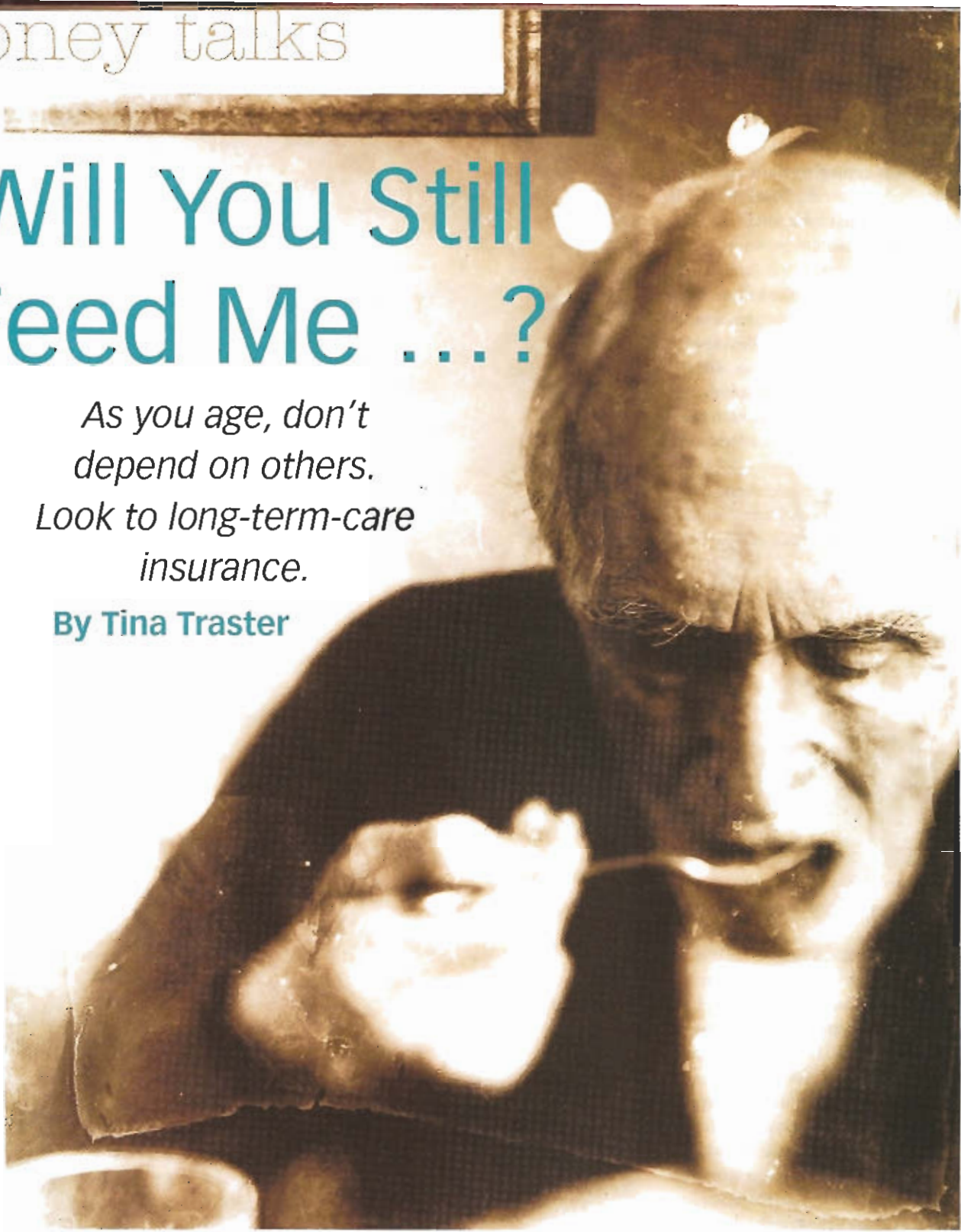


Will You Still Feed Me ...?

As you age, don't depend on others. Look to long-term-care insurance.

By Tina Traster



Are you counting on the government, disability insurance or your children to care for you when you're older? Those aren't necessarily sure things. But there is another option: long-term-care insurance, a disability plan that promises to pay for nursing homes and other expenses related to long-term care including home-health services, adult day-care centers and assisted-living facilities.

"Insurance carriers have done a better job at making long-term-care policies more flexible and easier to understand," says Mike VanGavree, managing partner at Professional Insurance Services LLC in Lemoyne, Pa.

According to the U.S. Department of Health and Human Services, about 9 million Americans, now 65 or older, will require long-term care. HHS expects that number to rise by 25 percent — to 12 million — by 2020, when

one out of six Americans will be older than 65. And while Medicare pays medical expenses, it almost never pays for the kind of custodial care people need as they get older.

Yearly premiums for policy holders of long-term-care insurance run from \$1,000 to several thousand dollars depending on your age and the options you choose. The price tag is hefty but consider that the average rate for a private room in a nursing home is about \$200 a day, or about \$75,000 a year. By 2021, when today's 60-year-olds need such care, the average rate is expected to rise to \$480 a day, or \$175,200 annually.

HealthPlan Services, an administrator of insurance plans, says a single 55-year-old can expect to pay about \$1,075 a year for long-term-care insurance, while the same age married person would pay \$655 a year. At 65, the single person's premium is \$1,923, while a married individual pays \$1,292. Married people pay less because they tend to take care of each other longer.

If you have to shell out about \$1,292 a year over a 40-year time period, the cost is \$51,680 — far less than the average yearly stay at a nursing home. That's not to say that long-term-care insurance, still relatively new, is risk-free. For one thing, if premiums rise sharply, and you drop the coverage, your balance is zero. Also many policies do not cover pre-existing conditions, or have fine print that limits your ability to collect. Over the years, many insurance providers have packed up and left town, leaving policy holders with a useless piece of paper.

However, you don't want to rely on Medicaid. You would have to be impoverished, or make yourself that way, but even that is becoming harder because of changes in the law. With Medicaid, you wouldn't have much choice in who provided your care or where they did it. As the cost of long-term care can quickly deplete a person's assets, long-term-care insurance may be just the thing that prevents you from losing your home, valuable assets or your children's inheritance.

Most experts recommend buying long-term-care insurance by the time you reach your 40s or 50s. The rates are lower at that age, but, more importantly, you



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can be locked out of the market at any time if you develop a medical condition. For most policies, age 60 is a trigger for a rate increase. Also consider whether the policy pays a lump sum if your home needs to be modified. Does it include respite care when your home caregiver needs a break or isn't available? Is there a waiver of premium after you become disabled?

Consider building in simple- or compound-inflation protection at a predetermined rate or one tied to the Consumer Price Index. Simple inflation protection increases your daily benefit amount by the same flat amount each year, while compound-inflation protection increases every year based as a percentage of the prior year's benefit.

And keep in mind that you can deduct your total medical expenses, including long-term care premiums, to the extent that they exceed 7.5 percent of your adjusted gross income. In 2007, you can receive benefits up to \$270 per day without paying tax.

Employers are beginning to recognize the need for long-term care insurance. Insurance through an employer could shave 15 percent to 25 percent off the cost of the annual premiums, and fewer questions are asked of individuals about their medical history. One additional benefit is that you can add parents, step-parents or in-laws to a group plan. "Baby boomers are going to be facing an elder care crisis," says Kevin Sypniewski, CEO of Agis Inc., an elder care information company and corporate policy broker. "Taking time off from work to care for an elderly parent can cost you your job."

You can buy insurance from an agent or a broker. Your financial planner should also be able to help you find the right policy. Run this by your estate planner as well. Make sure you understand what the policy covers and what it doesn't. Research the insurance company's track record with these policies, look at whether the insurance company has a history of raising rates for long-term care coverage and make sure it is licensed to sell in the state of Pennsylvania.

Tina Trester writes regularly about money matters and real estate for Inside.

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