

Long-Term Care Combo Policies

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Needing long term care is an unpleasant thought as you approach retirement age. But ducking this issue could be the most expensive mistake you make about your retirement.

Aside from the obvious reluctance to think you might need help with basic activities of living, many people figure they've saved enough to cover the costs of care. Think again.

Care Costs Rising Fast

According to the latest Cost of Care survey by [Genworth](#), it now costs on a national average, about \$3800 per month for in-home care for a year, a similar amount in assisted living — and about \$7700 per month for a private room in a nursing home!

Need for care typically lasts only about 2-3 years, but extended care for Alzheimer's could wipe out a couple's savings - leaving little in the way of financial resources for the surviving spouse.

Home Instead Senior Care is one of the largest franchisers of care-giving services, with over 1,000 offices, employing more than 65,000 caregivers, says only about 20 percent of their clients pay for care through long term care insurance policies. The rest are digging into their own pockets. Mary Alexander, VP at Home Instead, says this is not only a financial issue, but a heart-breaking demonstration of the issues that arise when people fail to plan.

Avoid Rising Premiums

Another worry about buying long term care insurance is the fear that annual premiums will continue to rise. Insurers say most of the big pricing leaps are behind them, and they are now setting rates that better reflect their claims experience. Still, increases in future premiums are a worry with traditional LTC policies.

Here's a better alternative - if you can afford to invest a lump sum of cash now to pay for potential care, plus give your heirs a death benefit if care is not used. It's called "Combo LTC/Life."

Based on the Genworth survey, let's assume a need for \$4,000 a month in care costs. (Remember, that covers only 40 hours a week, so round-the-clock home care would cost triple that amount!)

I asked Brian Gordon of MAGA LTC, (www.magaltc.com 800-533-6242), experts in long term care insurance policies, to assume the need for \$4,000 per month in benefits. He gave me these comparisons of traditional LTC policies and the new combination Life/LTC policies that take away the risk of rising premiums.

Cost Comparisons

For a single female age 55 today, 4 years of \$4,000/month benefits, with 3% compound inflation, and a 90 day elimination period would cost \$3136.84 per year in premiums (which could rise slightly over the years).

But if the same woman purchased a combo Life/LTC policy, depositing \$75,000 in cash upfront, she would get the same \$4,000 monthly benefit, out of a pool of more than \$310,000 - which, if not used for care, would yield a death benefit to her heirs of \$96,000. As an alternative, she could pay the premium on the combo policy in guaranteed equal installments of \$8700 over ten years.

And if she had an urgent need, not based on long term care issues, she could always borrow some cash out of the policy. But borrowing would impact the care benefit. These price quotes are from the One America Asset Care plan.

Because long term care is now gender-based, and women live longer, the deal for men is even better. The same 55 year old male would pay only \$1841 a year in premiums (which could rise) to get that \$4,000 per month benefit. And he would have to deposit only \$66,250 in the combo policy to get a similar benefit. Or he could choose to make ten payments of \$7700 each, guaranteed not to rise, to get the combo policy.

Importantly, married couples buying any of these policies get a large discount on covering two lives. And there are even second-to-die combo policies, often used by divorcing couples or two generations.

So before you decide you "can't afford" long term care insurance, take a closer look at the alternatives. This is a bet you don't want to lose. And that's The Savage Truth.

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