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INSURANCE SERVICES

Elimination of Traditional LTC Premiums

Unlocks the Ultimate Estate Planning Tool

Plug-N-Run® Elimination of Traditional LTC Premiums Unlocks the Ultimate Estate-Planning Tool

By Mike Walters

Long-term care is a huge personal fear… A financial disaster waiting to happen, and yet many feel the obvious solution, buying long-term care insurance, is more painful than the looming disaster.

Therein lies the problem with LTC insurance sales.

Consider these facts:

- 70% of people over age 65 will require long term care in their lifetime.[1]
- The national average cost for nursing home care is $7,543 per month ($90,520 per year).[2]
- The national average cost for full-time home health care is $15,330 per month ($183,960 per year).[2]
- Women need care longer (on average 3.7 years) than men (on average 2.2 years), mostly because women usually live longer.[3]
- More than one in six Americans working full or part time report assisting with the care of an elderly or disabled family member, relative, or friend. Caregivers working at least 15 hours per week said it significantly affected their work life.[4]
- In 2008, 40% of those who received long-term care services were between the ages of 18 and 64. Trends show that people are starting to prepare for long-term care expenses earlier in life. In 2005, the average age of a person with LTC protection was 61.[5]
- In 2008, 7.6 million Americans age 55 and older had private long-term care insurance, accounting for 10.7 percent of adults in this age group.[6]

Now let's string together the underlying meaning of the facts just mentioned…

The odds are about 7 in 10 that we will need some sort of long term care. Assuming we need to go to a nursing home and don't want to feel like we're back living in a shared dorm room, it costs $90,520 per year, equaling $271,560 for 3 years with no increases. So with some rough averages, 7 out of 10 seniors are at risk for up to a $271,560 hit.

The obvious thought is to insure such a risk.

A single 65 year old may pay premiums of $4,229 per year for an appropriate policy. If she lives for 20 more years (to age 85, assuming no premium increases), she will pay total premiums of $84,580 during her lifetime, or about equal to one year's stay in a nursing home. Sounds reasonable… Yet only about 10% have purchased a LTC plan.

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[1] *U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, (Sept. 25, 2009).*
[2] *U.S. Census Bureau, Statistical Abstract of the United States: 2012*
[3] *Department of Health and Human Services (Feb. 8, 2012).*
[4] *Gallup Healthways Wellbeing Survey, More Than One in Six American Workers Also Act as Caregivers, July 2011*
[5] *LifePlans Long-term Care Market Summary; Research & Analysis (Jan. 15, 2010).*
[6] *Urban Institute, Who Purchases Long-Term Care Insurance? Older Americans' Economic Security: Calculations from the 2008 Health and Retirement Study (HRS)*

So, as the statistics depict, it seems that the remaining 90% of the senior population has inadvertently shifted the burden (financial or otherwise) to family and friends to the tune of 43.5 million people serving in the capacity of a non-paying job and/or gave up a paying job to respect a family member in a "volunteer" capacity.
My contention is simply that there must be a more appealing way to solve this problem. When the odds are stacked 7 out of 10 against you, and yet 90% elect not to buy the solution – something is wrong! Digging deeper yet, I believe a statistically large portion of LTC policies are sold to the "volunteers" who experienced things first-hand and do not wish to become such a burden on others.

So why does human nature by default (consciously or subconsciously) say "No" to LTC insurance?

To over simplify, the client generally experiences two knee jerk reactions:

1. It costs too much! *(the money factor)*
2. It won't happen to me! *(the denial factor)*

Furthermore, traditional LTC insurance is positioned as an income statement sale. This process boils down to identifying how much income one has, and how much the sales person can pry-open-their-wallet-and-extract. Even with the best of sales techniques it is combative at its core.

On the other hand, asset-based LTC is a balance sheet sale. This process boils down to identifying one's net worth and repositioning assets to derive a benefit that is otherwise nonexistent. This places you on the same team with the client as their expert trusted advisor rather than a sales pest. Powerful stuff!

Here's how the product category generally works:

1. Openly discuss the value and protection of LTC insurance, but equally discuss why so few people buy it even when they know they should. Talk about the fact that traditional LTC insurance is a "lose-to-win" program, meaning you must have your worst health fear come true in order to perform well financially on the LTC transaction.
2. Identify the client's existing asset categories including a segment labeled "emergency money".
3. Discuss the potential uses of their "emergency money" and establish that this would be their first source of funds should they need long term care of any sort.
4. Discuss the likelihood of their emergency money not being enough to fund such a health catastrophe.
5. Further discuss the evolution of what starts as a health catastrophe, but can quickly morph into a financial disaster for the other spouse and/or heirs.
6. Show how by repositioning one-third to one-half of their emergency fund to an asset-based Life/LTC policy can improve their protection without any financial pain.
7. For example, a 65 year old repositioning $100,000 may receive an immediate death benefit of $156,000 and a LTC benefit of $470,000.

8. Explain how the $100,000 of cash is now worth $470,000 for LTC related services and if they never need LTC, their heirs will receive $156,000 income tax free vs. $100,000 in cash.

9. Circle back to the number 1 bullet above and readdress the “lose-to-win” problem. Show how now it has become a “win-win-win” scenario. If you ever need the $100,000 cash for a different emergency it remains available for at least 20 years or longer. If you do in fact need the LTC coverage, your $100,000 cash is now converted to $470,000. And should you eventually die happy and healthy in your sleep, the $100,000 cash becomes a $156,000 death benefit for your heirs.
10. Take the application to submit and see what type of financial offer you receive from the carrier based upon your client’s age and health.

This concept allows you to take the negativity out of the LTC discussion. Now you can show your client how to simply reposition a chunk of money from one pocket to another pocket and receive a significant benefit in doing so. Plus, you are protecting their estate from the number one financial disaster that strikes down their net worth faster than anything else – the high cost of long term care!

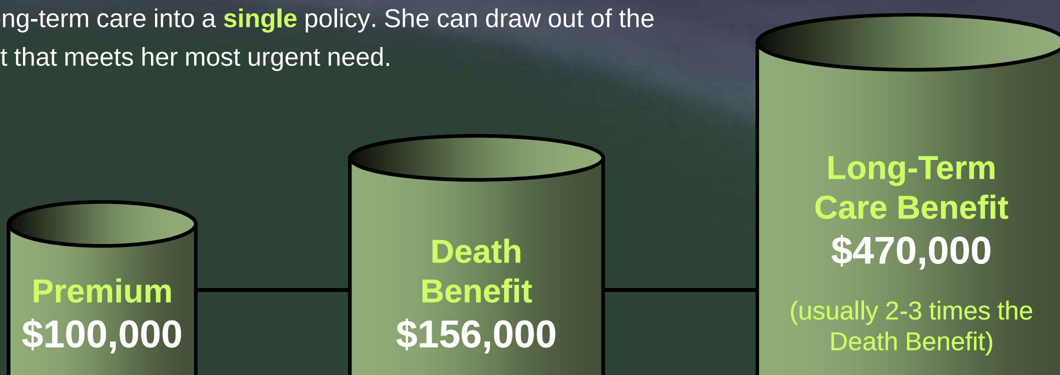
Now this is what being a successful advisor is truly all about!

Example: **65 Year Old Female**

Asset Based LTC Protection

Approximate sample numbers only.

Asset Based LTC Protection links the benefits of life insurance and long-term care into a **single** policy. She can draw out of the bucket that meets her most urgent need.



Earns tax-deferred interest.

Money-back guarantee*

*(*Assumes no prior withdrawals, loans or benefits have been paid.)*

Paid income tax-free to properly named beneficiary.

Paid outside of probate if beneficiary not estate.

Provides at least 4-6 years of coverage.

Provides a monthly Benefit for home health or nursing home care.

Includes assisted living and adult day-care.