

Lessons In Long-Term Care; A Practical Point Of View!

By Mark Charnet



Think about this for a moment, your 10 year old car just died and you must replace it immediately. You begin to study the specifications, design and features of the new car you want to buy. Next, you look on the internet, in newspapers and travel to three different car dealers to negotiate the best price you can get. Finally, you make your decision to purchase the vehicle in the perfect color and luxury package of your choice. What's the next step? To insure it of course! In fact in NJ, you have to call the insurance agent or company, pay the first premium and get proof of insurance before you can drive the car off the lot. NJ law requires that you maintain a minimum amount of insurance on your vehicle in order to drive on our roads, but, collision insurance is not a requirement. Let me ask a question, would you invest something between \$30,000 - \$50,000, the average price for a new higher-end sedan and not insure your investment with collision coverage? Even though collision coverage isn't required except if there is

a bank loan or lease purchase, would you leave yourself vulnerable to a \$50,000 loss if the car was totaled in an accident? Some people would, thinking they are wealthy enough to self insure in the unlikely event that the car would suffer a significant loss. NJ auto insurance rates are the highest in the nation with good reason. More collision claims are filed in NJ than virtually everywhere else in the USA. A property and casualty insurance agent once told me that the chance of your car having a collision claim in NJ was one in 76 in any given year. The same agent told me that the chance of your house burning down was one in 1,200, but, I don't think any of us would self insure by not having home owners insurance, do you?

What about these statistics? 43% of people age 65 and over are at risk. This figure increases to 4 out of 7 people over age 75 and over age 85, the incidence of claim increases to an alarming 85%. Assuming good health, relatively few aches and pains and a wad of cash in the bank, most people would like to reach age 85 and beyond! So what are these statistics I am referring to? They are the chances that you will require some form of long-term-care assistance. (Sources: NAIC - Shopper's Guide to LTC Insurance and The New England Journal of Medicine); and what do you think it costs, per day, in a quality NJ nursing home? One nursing home in

our area is \$460 a day for a semi-private room - this means you have a roommate and no privacy. That's \$13,800 a month, which, can burn through a couple's portfolio like a hot knife through butter. A prolonged stay, or if both husband and wife enter a nursing home as did my Great Aunt and Uncle, there might not be a portfolio left when they die. Worse than death, is to get better. While in the facility, the government pays for your support and care after your assets are gone. If you return home and there are no assets left, based on what Medicaid would pay in food stamps and housing allowance (referred to as Section 8), it would be impossible to keep your own house!

Now you know why I feel so compelled to ask our readers this poignant question. If your invested portfolio is worth as much or more than your house and statistics dictate the chance of a long-term-care stay is more likely than either your car getting totaled or your house burning down, can you afford not to be insured? Can you ignore this long-term-care topic any further? In my opening paragraph I discussed the purchase of a new car and the time and energy to be a responsible consumer in making that purchase and insuring it. Now contrast that to the time and energy it took to accumulate your entire portfolio and total net worth!

It's my opinion that it really isn't a matter of *if*, but

when we will require assistance with the activities of daily living such as: Eating, Bathing, Dressing, Toileting, Transferring, Continence or suffer from a Cognitive Impairment if we don't die first. If we are not prepared for this scenario, the assets we had intended to use to sustain ourselves and our spouses during our retirement years will be spent down for long-term-care expenses. After they are gone, the next question which must be asked is, and I apologize for asking it in this blunt way, "Which child or children's lives will you choose to destroy?"

The cold hard facts indicate that with each passing year, we become more vulnerable to the need for care, regardless if in our own home or a professional facility. The inflation rate for these long-term-care services far outpaces the standard inflation rate and the folks with capital and assets will be able to command the best possible service from the best possible institutions making the remainder of their lives as comfortable as possible, while at the same time preserving their net worth and estate for their healthy spouse and ultimately preserving, protecting and perpetuating their wealth to their children and beneficiaries of their choice. If you feel you don't have enough assets to protect yourself and family from the devastating financial effects of a prolonged stay in a professional facility, don't fret! You can

rent them from an insurance company via a long-term-care insurance policy.

Given assets and children to protect, this author doesn't believe that the purchase of long-term-care insurance to be at all optional. Call it a "penalty of wealth", call it "the responsibility of wealth", make or call it "the law in your family". Must people wait until each State mandates that its citizens purchase this type of insurance like auto insurance? Some companies offer a benefit that will give a 100% return of premium paid, if the policy benefits aren't completely used. Newer programs on the market allow the insured to invest a single sum of money into an insurance contract that purchases both a tax-free death benefit significantly in excess of the single premium AND the same premium also pays for a long-term-care benefit that is many times the premium paid offering a monthly payout for as long as 6 or 7 years to protect people and their families from the ravaging effect of a prolonged need for professional help, whether in a nursing home or at their own home. This same policy offers a return of premium guarantee, which means at any time, for any reason, prior to benefits being paid, the insured can get their money back if there is a change in situation or circumstance where the insured wants to cancel the policy.

Bottom line... as it pertains to the potential costs of a long-term-care stay is:

you must be rich or poor or insured to handle the expenses of the long-term-care needs that are most likely in your future. If you rich, wonderful, the premium for a long-term-care policy is a far sight cheaper than self-insuring! If you're poor, well, that's unfortunate but, the State government has a plan for you. If you are in the middle with assets and a home, beware! The State has a plan for you too. It's called virtually sell everything you have, then they put a lien on your house and if you're still in the facility your now poor and the State will provide. If this solution is an unacceptable situation for you, then you are the perfect candidate for a long-term-care policy.

For a free no obligation Long-Term-Care Policy quote and a portfolio review and analysis, just call my office for an appointment - your kids will be glad you did!

Mark E. Charnet is President and Founder of American Prosperity Group. APG is the Premier Retirement and Estate Planning Franchise in the United States. Mr. Charnet has over a quarter of a century of experience in the Retirement and Estate Planning fields. Mark encourages your inquiries and can be reached at: 973-831-4424 or via email, markcharnet@IAPG.com Interested in a career in retirement and estate planning? Check out this website: www.APGFranchise.com