Long-term Care Insurance: The Five Most Frequently Asked Questions

By Elaine Kiernan
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Q: Why do I need long-term care insurance?

A: Primarily, because Medicare and MediCal will only pay for a limited number of days of care.

Q: What is the best age to buy long-term care insurance?

A: We begin discussing LTC with our clients when they reach their 50s. Even with no health changes, premiums are based on age. Ideally, you have a policy *before* you have any serious health problems. In-force LTC premiums rarely increase.

Q: How much does long-term care insurance cost?

A: The cost is based primarily on age, health and plan design. There's not much you can do about the first two. A trustworthy agent is the secret to a thoughtful and appropriate plan design. A comprehensive policy for a 55-year old in our area is available for less than $2000 a year, providing $54,000 coverage per year ($150/day) for life (shorter period, lower premium).

Q: What happens to the money I paid if I don't use the coverage?

A: There are optional riders available that will return premiums upon your death to your beneficiary, usually less any benefits paid out. Another option is a life insurance policy that has a built-in long-term care feature. The cost of this type of guarantee will add a substantial amount to your premium. We traditionally suggest separate LTC and life policies.

Q: What if the company I'm insured by goes out of business?

A: In the event of an insurance company failure, policyholders will not lose coverage… the government's State Guaranty Fund still keeps coverage going. We always recommend companies rated "A" or better to avoid this issue entirely.

Long-term care insurance is a complex product that generates a lot of questions. Be sure to get all of your questions answered by an experienced agent.

<u>About Elaine Kiernan:</u>

Elaine R. Kiernan is a CERTIFIED FINANCIAL PLANNER™ (CFP®), Certified Divorce Financial Analyst (CDFA), and Certified Divorce Specialist (CDS).

She is President of Financial Resource Associates (www.FRAssociates.com), a Registered Principal/Branch Manager of Geneos Wealth Management, Inc. and holds memberships in the Financial Planning Associates (FPA), the Institute of Divorce Financial Analysts (IDFA), and the International Association of Collaborative Professionals (IACP). Her firm, Financial Resource Associates, Inc. is a Registered Investment Advisory firm and she will reach her 25th year in practice in 2007. She is licensed by the California Department of Corporations, and the NASD.

Elaine and her firm specialize in all aspects of financial planning, divorce services, small business services, same-sex issues, insurance, and retirement.

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