

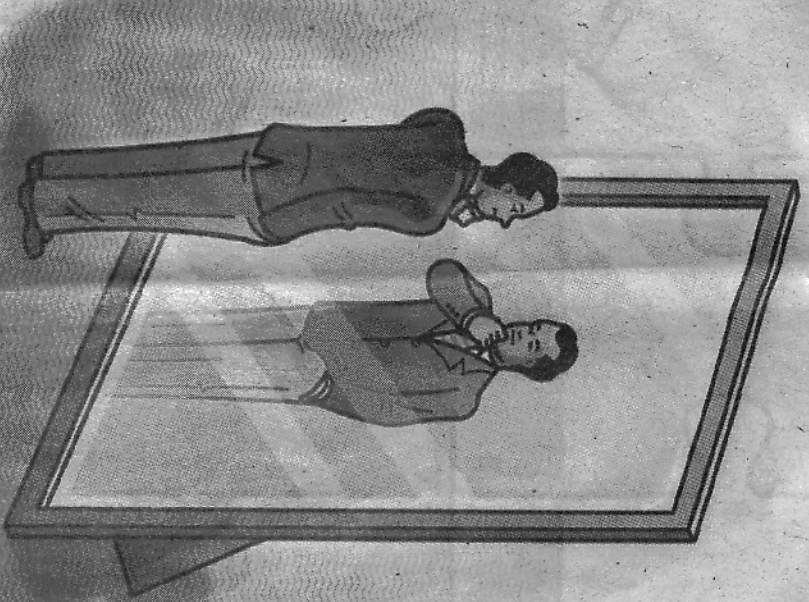
By Lisa Collier Cool

Twelve years after Joanne Mason lost her father to Alzheimer's disease, her mother, Barbara, began to develop frighteningly familiar symptoms: "She'd tell us things over and over, couldn't remember where I lived, and let bills pile up because she forgot to pay them. It was very painful to see her slipping into dementia, unable to do the hobbies she loved," says Mason, 43, who quit her job at a Boston pension fund and moved into her mother's Agawam, Mass. home to become her caregiver. Ultimately, Barbara grew so ill that she needed nursing home care in an Alzheimer's unit, at a cost of \$6,600 a month. "Her savings dwindled because she didn't have long-term care insurance."

After her mother's death in December 2007, says Mason, "I realized that I needed to get my ducks in a row because I have no one to fall back on, since I'm single, with no kids. To make things easier for my family and friends, I've been making plans to move into a retirement community with assisted living when I'm older. I also see buying long-term care insurance as a future 50th birthday present to myself."

Witnessing the financial toll of chronic illness on a loved one is the leading reason for purchasing long-term care coverage. Among people who own an individual policy, 86 percent have been caregivers and 66 percent have watched someone they know drain retirement savings to pay for long-term care, such as nursing home and hospice care, assisted living facilities or other paid help to assist with daily living, reports the American Council of Life Insurers (ACLI).

It's not just a loved one's savings that get drained; the financial toll on caregivers is often much greater than they anticipate. A November 2010 study sponsored by Genworth Financial found that only 40 percent of caregivers expect they will need to contribute financially to a family member's care. In reality, 83 percent end up paying part of the cost. To do so,



57 percent are forced to tap their own retirement accounts and 61 percent draw on savings.

Wendy Boglioli is a case in point. "My father had a series of illnesses, and my six siblings and I wound up having to chip in to pay for his care," says the former Olympic gold medalist swimmer, now a Genworth national spokesperson. "In the end, my mother was left with a Social Security check, her home and her car."

Seeing the tremendous financial strain her father's care caused all the members of her family prompted her and her husband to buy long-term care insurance when they were in their early 40s. Says Boglioli: "I thought, 'If something happens to me, do I want to dig into my 401(k) retirement account or be forced to sell the family home?'"

Underestimating the Need

Many Americans are in denial about their risk for requiring long-term care. Although 66 percent of people require some form of long-term care after age 65, a 2010 national survey found that only 35 percent of those polled believe that will ever happen to them. It's not just retirees who face the threat of developing debilitating or disabling disorders: Of the estimated 10 million Americans who receive long-term care annually, 3.7 million are age 64 or younger.

"People in their 40s and 50s often think they don't need long-term insurance, until they start taking care of their mom or dad," says financial advisor Bill McLaughlin, director of employee benefits at McLaughlin Asset Management in Haddonfield, N.J., who has seen an uptick in caregivers looking into coverage for themselves. "Once someone is a caregiver, the financial impact really hits home. That's when people see the gaps in their own financial planning."

Medicare only covers short-term nursing home care and certain forms of home care. Like employer-provided plans, it usually doesn't pay for long-term care, which can be quite expensive. Nationally, the median annual cost of a private room in a nursing home care is \$77,745 (\$213 a day), while the median for Alaska, one of the most costly states, is a stunning \$227,760. Assisted living facilities charge a median of \$39,135 a year and home health aides average \$19 an hour, according to Genworth's 2011 Cost of Care Survey. For someone with Alzheimer's, home care costs an estimated \$76,000 a year, reports American Health Assistance Foundation, a non-profit education and research group.

Long-Term Care Insurance

Continued from previous page

Getting Caught Unprepared

"Buying long-term care insurance transfers some or all of the financial risks associated with developing a chronic illness that impacts the activities of daily living to the insurance carrier," says McLaughlin. He recommends that couples with assets of \$300,000 or more (beyond the value of their home) and single people with assets of \$150,000 or more consider long-term care insurance. "Buying a policy protects you from having to sell investments or real estate on an untimely basis during adverse market conditions to pay for long-term care costs."

That's exactly the situation Caitlin Kelly faced after her 76-year-old mother was hospitalized with digestive illness and a broken hip that required surgery. "It was horrifying and scary how fast she went downhill," says the Tarrytown, N.Y. book author. "I had to make snap decisions about choosing a nursing home — a huge expenditure that could deplete her estate since the \$5,500 a month cost will go up if her dementia gets worse — and was forced to quickly sell her condo, since her other assets weren't liquid."

Kelly, 53, is now weighing a long-term care policy for herself. That could be a smart move, says McLaughlin. "The younger you are when you buy a policy, the lower the cost." To illustrate the impact of age, he calculated the premiums for a policy with a \$200-a-day benefit, covering three years of long-term care. "If you are 45, the annual premium for this policy would be \$1,617. At age 55, the same policy would cost you \$1,896 and at 65, \$3,526."

Another reason to consider buying a policy when you're in your 40s or 50s is that healthy people get the lowest rates, notes McLaughlin. "If people wait until retirement to purchase coverage, underwriting isn't

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always simple, because at 65, it's likely that they've been diagnosed with one or more health problems over the years. This can make it difficult — or even impossible — to qualify for coverage, since long-term care policies, like life insurance, look at the applicant's medical history."

Indeed when Boglioli's mother developed health problems, she wasn't able to qualify for long-term care coverage, so once again, Boglioli and her siblings had to contribute. "We couldn't afford to keep her in her home, so we had to put her in a nursing home, which costs more than \$15,000 a month. One thing people don't realize is that if they postpone making a plan for long-term care, they may lose control of where they end up. With a long-term care policy, you can choose where you want to live if a medical crisis happens."

Shopping for Solutions

To find the best deal on coverage, workers should check if their employer offers long-term care insurance, because group plans are usually less expensive than individual policies. If you are comparing policies from different carriers, ACLI recommends checking which facilities and types of services are covered (some policies will even pay for modifications to your home if you become disabled and caregiver training for your family members); what daily, monthly or lifetime limits apply to benefits; the length of the benefit period; and if the policy offers automatic inflation protection. Rates are the same for men and women, even though women, on average, live longer and are more likely to need long-term care.

With some plans, you may qualify for a significant

discount if you buy policies for both yourself and spouse. Another option to consider is a shared policy, which may offer more coverage for less money. This type of policy provides a pool of benefits that can split with your spouse. For example, if you purchase a five-year policy, you and your spouse will share years of benefits. If your spouse draws on three years of benefits, you will be able to use the other seven years.

If you're hesitant about buying insurance because you might pay premiums for years and with luck never require long-term care, now there is an alternative to this "use it or lose it" deal: hybrid policies. These products do double duty by combining cash value insurance with long-term care coverage, to simultaneously insure against both risks with one policy. Details vary by carrier, a hybrid policy usually requires a single upfront premium payment, says McLaughlin, and offers a guaranteed death benefit that is multiple of the original investment.

A hybrid could be an appealing option if you have significant assets to pass on to your heirs. Because it includes long-term care benefits, you're protected against the risk that large medical bills might deplete or exhaust your estate. What's more, payouts you receive for long-term care are now tax-free due to changes in the Pension Protection Act of 2000 that took effect last year. But remember, if you draw on your policy to pay for long-term care, the death benefit is reduced accordingly.

Potential buyers should consult with a financial advisor to determine the right type of long-term care insurance for their needs, adds Boglioli. "Getting professional advice is important because with these policies, you typically only get the chance to buy the right one the first time."

Lisa Collier Cool has won 18 awards for medical journalism and is a past president of the American Society of Journalists and Authors. Her articles have appeared in Self, Parent, and The Oprah Magazine.