



Client Articles

The Basics of Long-Term Care Insurance

Description

Planning for the cost of long-term care is something nearly every household should think about. This article talks about how and why to start now.

Body

Thinking about the need and the costs of long-term care is enough to make anyone uncomfortable. But while it's a difficult subject to talk about, it's also a topic that often generates lots of questions and misunderstanding.

Consider this: The average cost of a semi-private room in a nursing home now exceeds \$81,000 per year, with wide-ranging variations from state to state.¹

Who Pays?

For the most part, those who need long-term care are left to foot the bill on their own. Neither Medicare, nor Medicare supplemental coverage ("Medigap"), nor standard health insurance policies cover long-term care unless you are impoverished. That's why long-term care insurance is so important. Since premium costs are based on your age and health at the time of purchase, the younger and healthier you are when you purchase a policy, the lower the premium you're apt to pay during the life of the plan.

As you evaluate long-term care insurance, keep the following variables in mind:

- **Coverage Parameters.** Policies will differ in the types of services they support. Be sure to choose a policy that best meets your particular needs.
- **Benefits Payout.** How much does the policy pay per day for care in a particular setting? How does the policy pay out? (e.g., a fixed daily amount, as reimbursement for the cost of care up to a daily maximum?) Does the policy have a maximum lifetime limit?
- **Eligibility.** Does the policy use certain "triggers" to determine benefits eligibility, such as the formal diagnosis of an illness or disability? What is the maximum issue age for the policy?
- **Women May Need More.** Longer life spans for women may signal the need for additional coverage.

Finally, keep in mind that most long-term care policies sold today are federally tax qualified, which means premiums paid and out-of-pocket expenses are deductible. Also, long-term care benefits received are not taxed as income up to certain limits.

Source/Disclaimer:

¹Source: MetLife, Market Survey of Long-Term Care Costs, 2012.

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