CROSSBRIDGE ROUNDTABLE
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Crossbridge
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Long-Term Health Care Insurance Can Protect Assets in Retirement

The Crossbridge Roundtable provides a chance for you to "listen in" as the owners of Crossbridge Financial Group informally discuss various topics. Please feel free to share this information with others.

Today's discussion centers on long-term health care insurance.

The Crossbridge owners met recently to discuss the merits of including long-term health care insurance in one's retirement planning (from left):

- Tom Minigiello, CFP®
- Elizabeth Thorley, CFP®, CLU
- John Adamczuk, MS, CFP®
- Jerry Randisi, CFP®

JERRY RANDISI: Given the rising costs for nursing homes and other long-term care options, we are advising more clients to make long-term care insurance part of their retirement planning.

TOM MINIGIELLO: Without such protection, someone could do a good job saving for retirement only to end up spending those assets to pay for long-term care for themselves or their spouse.

JOHN ADAMCZUK: We sometimes hear people say: "I'll never need nursing home care. My family will take care of me." But, so often, it becomes physically impossible for the family to provide that care, and options like home-care providing by a nursing agency are expensive.

ELIZABETH THORLEY: Often people think of Medicaid as a fourth option, but one first has to exhaust all assets to become eligible for Medicaid. Medicare may also be limited in its ability to pay for care, since it provides only for skilled care for a short period of time. So, insurance can be very attractive.

JERRY: Very wealthy people may be able to "self-insure" with their personal assets, and people who haven't established an adequate retirement portfolio have little choice but to rely on the social system. That leaves a group in the middle that would find long-term health care insurance a sensible option.

TOM: People sometimes think they need to buy long-term health care insurance to protect their children's inheritance. But, that's really a secondary issue. The primary issue is to protect assets for the surviving spouse.

JOHN: Right. If you have one healthy spouse and one that needs expensive care, you may use up resources that the healthy spouse needs to support his or her retirement.

ELIZABETH: The bottom line: long-term health care insurance gives you options. You might choose to use the benefits to provide home health care, to move to an assisted living facility, or to select a private nursing home. Medicare does not, for example, provide funding for assisted living units.

TOM: Considerations for purchasing long-term health care insurance include how much daily benefit to purchase—say $200 or $250 per day, how long the coverage will last, and whether you want it to keep up with the cost of living.

JERRY: It's also important to buy a policy from a company that has financial stability, because you want that company to be around when you're ready to put in a claim.

JOHN: It's also wise to check on precisely how the policy defines a long-term care facility, because there's no nationally applied standard definition.

ELIZABETH: One of the most popular types of long-term care insurance today is a partnership policy. Since 1993, New York State has had a partnership with insurance companies and Medicaid that allows a person to buy a policy, and when the policy's benefits are exhausted he or she can go on Medicaid without using up financial assets.

JERRY: That's correct. A person has to continue to spend available income for health care, but does not have to spend down assets—so it is a real benefit.

TOM: We are seeing more innovation in the entire field of long-term health care, to the extent that our perceptions are changing as to what a nursing home is.

JOHN: The best time to buy a long-term care policy is when you are young and healthy. It should be considered as part of a well-designed retirement plan.

ELIZABETH: And, the sooner you can build a long-term care policy into your retirement plan, the more options and choices you are likely to have in the long run.

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