

Should I buy Long Term Care insurance?

Written by Lawrence Castillo Host of Safe Money and Income Radio "Long term insurance protection for nursing home care does not have guaranteed premiums; they can be increased." — Lawrence Castillo
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I have been asked that question many times in my career, and of course, the answer is simple, it depends. It depends on several things, your assets, your marital status, your income, and your state of residence.

A recent article in "Forbes" stated that less than 8 percent own LTC insurance and less than 10 percent even have an LTC plan in place. Most people are just not prepared to deal with the expense and life change an LTC situation would bring. Costs can easily exceed \$7,000 a month or more, and frankly, most people can't afford the expense.

Many people want to depend on the government for this level of care, but frankly, the truth is Medicare will not take care of your long-term care needs. Medicare provides only for approved charges and some skilled and rehabilitative care. Coverage can begin after three days and nights of hospitalization and only for a maximum of 100 days per diagnosis. What happens after 100 days? You are on your own.

Our country does have a welfare system in place called Medicaid. Medicaid will pay for necessary care only after you have qualified with your state of residence and your assets are at their required minimum level. Some states only allow a remainder of \$2,000 in total assets. Another way to think of Medicaid is welfare because that is exactly what it is.

LTC insurance is also expensive, and it isn't easy to buy. Health questions can often end any possibility of insurance ownership; your current health is a factor when purchasing a policy. Plus, most people do not realize that LTC insurance premiums are not guaranteed, and companies can raise the premiums to match their expenses with the state department of insurance approval.

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Modern LTC policies can provide benefits outside of the actual nursing home. People assume LTC insurance pays only for nursing home care, but that can be misleading. Insurers define long-term care as assistance provided to someone with a condition or illness that limits their ability to perform normal daily activities. LTC insurance can also provide funds for rehabilitative care and various types of assisted care in the home.

Planning can cause people to consider other options for covering these expenses. Some life insurance policies offer LTC riders who can help, but qualifying for the life insurance policy can also be a problem. Some annuities also allow LTC riders to be attached, which can provide some protection, but the annuity's account value could too be drained.

Many people simply think they can give away assets to their heirs and protect the assets. That is simply not true. Almost any gift given in the past five years (except between spouses) can be canceled, and the asset clawed back into the grantor's estate.

Regardless of your ultimate decision, which can include self-funding, LTC insurance, government-provided benefits, or family-provided care, the odds are that over 70 percent of people over 80 will need some form of assistance. Planning is essential, and the sooner discussions begin about this category of future liability, the better off you are.

Send your financial questions to Lawrence Castillo at LandCRetirementPlanners@gmail.com for future columns.

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