

Who Should Buy Long-Term Care Insurance?

by Jim Miller

February 20, 2015



Is there a good rule of thumb on who should buy a long-term care insurance policy? My wife and I have a few assets we'd like to protect, but we hate the idea of paying expensive monthly premiums for a policy we may never use.

There are two key factors - your financial situation and health history - to consider when deciding whether to buy long-term care (LTC) insurance. Currently, only around 8 million Americans own a policy. Here's what you should know.

LTC Insurance?

The cost of LTC (which includes nursing home, assisted living and in-home care) continues to skyrocket and it is important to know that most people pay for LTC from personal savings, Medicaid when their savings is depleted or through an LTC insurance policy. The national median average cost for nursing home care today is over \$87,000 per year, while assisted living averages \$42,000 per year.

While national statistics show that about 70% of Americans 65 and older will need some kind of LTC, many people may not need to purchase an LTC insurance policy.

In fact, according to a recent study at the Boston College Center for Retirement Research, about 19% of men and 31% of women should get one.

The reasons stem from a range of factors, including the fact that relatively few people have enough wealth to protect to make purchasing a policy worthwhile. Seniors with limited financial resources who need LTC turn to Medicaid to pick up the tab after they

run out of money.

Another important factor is that most seniors who need LTC only need it for a short period of time - for example, when they're recovering from surgery. For those people, Medicare covers in-home health care and nursing home stays of 100 days or less following a hospital stay of more than 3 consecutive days.

So who should consider buying a policy?

LTC insurance policies make the most sense for people who can afford the monthly premiums and who have assets of at least \$150,000 or more that they want to protect - not counting their home and vehicles.

Another factor to weigh is your personal health and family health history. The two most common reasons seniors need extended long-term care is because of dementia and/or disability. Almost half of all people who live in nursing homes are 85 years or older. So, what's your family history for Alzheimer's, stroke or some other disabling health condition, and do you have a family history of longevity? The U.S. Surgeon General offers a free tool at familyhistory.hhs.gov to help you collect, organize and evaluate your genetic risks.

You also need to factor in gender, too. Because women live an average of 5 years longer than men, they are at greater risk of needing extended LTC.

LTC Policy Shopping

After evaluating your situation, if you're leaning towards buying an LTC policy, be sure to do your homework. The cost of premiums can vary greatly (ranging anywhere between \$1,200 and \$8,000 per year for a couple) depending on your age, the insurer, and the policy's provisions. To help you find a policy, get a long-term care insurance specialist who works with a variety of companies. See aaltci.org to locate one.

If you want to save money, find out if your state offers an LTC partnership program (see aaltci.org/partnership). Under these programs, if you buy a long-term care policy approved by your state Medicaid agency, you can protect an amount of assets from Medicaid equal to the benefits that your policy pays out.

Jim Miller is a regular contributor to the *NBC Today Show* and author of "The Savvy Living" book. Any links in this article are offered as a service and there is no endorsement of any product. Jim invites you to send your senior questions to: Savvy Living, P.O. Box 5443, Norman, OK 73070.