

MAKING CENTS

MAKING CASE FOR LONG-TERM CARE INSURANCE



-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®

Many times over the years I've written about long-term care insurance, and it still blows me away how many people say that this coverage is a waste of money. I've heard it from readers, accountants, attorneys and financial advisors.

The issues surrounding caring and paying for long-term illnesses are far more significant than issues that we think about when evaluating the purchase decision. The factors surrounding the purchase decision are frequently the odds of your number coming up and the alternatives to providing and paying for that care. Pretty benign decisions when you are feeling great and healthy; an easy decision to put off until next year.

Where these decisions get tougher, however, is when you are staring down the reality that your stroke, Alzheimer's or MS has begun to overcome your ability to care for yourself. Even worse is if that condition renders you unable to make the decisions for your care.

With respect to who will provide the care, wouldn't it be nice if you had a say in that decision? Not buying the coverage may leave that decision to your heirs. Not that your heirs

wouldn't do a great job. But statistics show that family caregivers hit the wall after about six months of playing nurse, on average. At the same time, their lives and everything else that they do take a back seat. That may sound acceptable to your daughter as she thinks she is doing you a favor by saving you \$5,000 per year in premiums, but most of the care recipients do not like the sound of becoming a burden on their loved ones.

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Regarding the costs of providing care, there are direct costs such as doctors, nurses and therapists, but also the indirect costs of lost wages for family care givers. If everyone who is now burdened by the escalating long-term health care costs not covered by Medicare or traditional health insurance

had the option of having a long-term care policy pay for that care, do you think they'd be grateful?

The problem is that premiums have been rising. Most contracts state that your premium is fixed for life when you purchase it. What that typically means is that insurers can't single you out of their entire list of policy holders and raise your rates. They can raise rates, but they'd have to do it for everyone who holds a similar contract.

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