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BUSINESS

Don't short shrift long-term care insurance

BY SUZE ORMAN

Along with the pros of retirement (all that free time) comes one big con: the possibility that you'll outlive your assets and be unable to afford nursing home or at-home care if you require it.

That's why long-term care, or LTC, insurance, which you purchase in addition to your regular health insurance, is beneficial if you're unable to perform basic daily activities by yourself. (Medicare usually doesn't adequately accommodate your needs.)

But the relatively new LTC insurance industry is now experiencing growing pains, and insurance companies that initially underestimated the cost of providing coverage are either exiting the business or sharply increasing premiums for existing policyholders. You must shop carefully for a policy.

You should buy LTC insurance between the ages of 50 and 60. Get a premium you can afford at the time of purchase and for the next 20 years. It makes no sense to

pay \$3,000 a year for a policy if eventually you have to drop it, so buy a policy you'll be able to afford into your mid-80s — the average age of entry into a nursing home.

Next, choose a company that has been offering this kind of insurance for at least 15 years and has a rating of A or better (such as John Hancock or Genworth). Make sure you choose a zero-day elimination period, which means your coverage will begin on the first day you need care; a 90-day elimination period means that you or your family will have to pay out-of-pocket expenses for your first three months of care.

Because health-care costs are rising at an alarming rate, you'll also benefit from choosing "inflation protection," whereby your policy increases your benefit payout by a compounded 5 percent annually. And because the average stay in a nursing home is less than three years, you should choose at least a four-year benefit period that also covers at-home care. You may be able to save by purchasing LTC insurance through work or at a spousal-

partner discount.

I know you think you'll never end up in a nursing home, but if you do, insurance is nice to have.

While I can't tell you the exact problem you'll face, I can pretty much guarantee that one day an unforeseen life twist will leave you in a financial knot. It might be a car accident that puts you out of work, an insurance claim that doesn't cover the cost of replacing your property, or an ill friend or relative far away whom you'd like to be able to visit. In a crisis, it's important to know you have resources.

The rainy day fund. Ideally, you should have eight months of living expenses stashed in a savings account. I know that sounds daunting, but make it a goal. Start putting away a little each month. Every penny you save is a step toward building your own personal insurance plan.

Suze Orman is a best-selling author and award-winning broadcaster. She may be contacted at www.suzeorman.com.

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The logo for John Hancock, featuring the name in a classic, elegant cursive script.