

Make a gift of long-term care
Buying policy for Mother's or Father's day will provide priceless peace of mind
THE SAVAGE TRUTH

What do all mothers have in common? They worry. They spend their lives worrying about you -- and they never stop. But as mothers grow older, they have another worry: Not becoming a burden to their children.

There's a way to lift that burden from your mother, and there's no better time to do that than Mother's Day, which is Sunday. You and your siblings should look into chipping in for a Long Term Care Insurance policy for your mom -- and one for your dad, which you can present on Father's Day next month.

Over the years, I've written many columns about Long Term Care Insurance. As always, I put my money where my mouth is. So when my own mother was hospitalized earlier this year, and subsequently required several weeks of nursing care, I came face to face with the situation I had written about. Actually, Mom has recovered quite nicely -- and didn't need to tap into her LTC insurance policy. But if things had gone differently, she and our family still would have had priceless peace of mind.

That's why I'm encouraging everyone -- starting at age 50, and into your mid-70s -- to consider the purchase of a Long Term Care Insurance policy. And I'm going to take on all the objections you might raise:

I might not need it. The odds are against you! According to the U.S. Department of Health and Human Services, at least 70 percent of people over age 65 will require some long-term care services at some point in their lives.

LTC insurance expert Claude Thau reports that "unpaid lifetime hours of informal caregiving averaged 3,200 for males and 4,000 for females."

Will your children provide that care? Just think of how hard it is to get everyone together for brunch or dinner on Mother's Day. Who will take shifts watching over an infirm parent?

It's expensive! Yes, a Long Term Care policy with the minimum recommended coverage (\$200/day of coverage for three years, with simple inflation protection) would cost:

- \$1,438 per year for a 50-year-old healthy woman.
- \$2,253 a year if purchased at age 60.
- \$4,794 a year if purchased at age 70.

A reminder that you might not qualify if you wait until you're older. (Typical premium quotes from MAGA, specialists in Long Term Care Insurance, (847) 940-8866. Quotes are free.)

If you think annual premiums are expensive, that's nothing compared with the cost of care itself! A just-released Genworth study shows that the median annual cost for a private room in a nursing facility in Chicago is \$77,198. The survey notes that Chicago's costs have increased 4 percent annually over the last five years. On an ongoing basis, that would quickly swallow up your assets, leaving little for your spouse.

My own assets will cover the cost. Aside from the fact that your savings have shrunk in the bear market, long-term care costs are soaring. And if you do need to use your policy, odds are you'll get a windfall.

A recent study by the American Association for Long Term Care Insurance shows that more than 180,000 people received claim benefits last year from their LTC insurance policies.

One woman purchased a policy at age 43, paying an \$1,800 annual premium. Three years later, her claim began, and 12 years later she has received \$1.2 million in benefits. Another insurer reports its largest "open claim" is a man who purchased benefits through his employer at age 54. Two years later his claim began, and has continued for almost seven years, paying out \$690,000.

As LTCI Association Executive Director Jesse Slome says: "Long-term care insurance is not the lottery...not something you really want to *win* -- but it sure can prove to be valuable protection."

Government will pay for it! Yes, government will pay for care for impoverished seniors -- after most of your other assets have been spent -- through state Medicaid programs in state-funded institutions. But even today, state-funded nursing homes are forced to cut back on quality of care because of lack of funding.

Having insurance means your policy will pay for your choice of home health care, assisted living, or privately funded nursing homes.

Policy prices might rise. Yes, that's a concern. LTC policies have been sold on the promise that the earlier you buy, the less expensive the premium. The implication was that these premiums were fixed for life -- except that the fine print allowed insurers to raise premiums for everyone who purchased a certain policy, *if* the state insurance regulator deemed it necessary.

One way to guard against rising future prices is to buy only from the strongest companies, with the most experience in this area. They're most likely to set realistic prices. Another way to avoid premium increases is to purchase a 10-pay policy, in which you pay premiums for

10 years, rather than the life of the policy. It's an expensive option but one that limits your exposure to future premium increases.

The insurance company might fail. Obviously, that's a concern, given the recent headlines about AIG. While there's no federal guarantee fund for insurance companies, our government has clearly indicated its support for this large insurer. So sticking with the largest, best-rated companies for your LTC policy is a better bet than being uninsured.

You can find those ratings at the Web site of the American Association for Long Term Care Insurance -- www.aaltci.org/ratings. Or go to *theStreet.com* and click on Portfolio & Tools, then choose "Insurance Ratings" to enter the name of any insurer.

Some of the largest providers of LTC policies have the top ratings across all ratings services, including Northwestern Mutual, MetLife, John Hancock and Mutual of Omaha.

Well, you can keep objecting -- or you can start acting by calling to get a quote on what a policy would cost for your Mom. And if you buy for both Mom and Dad, there is a significant discount for couples. The gift of long-term care insurance is a gift that shows you really care! And that's The Savage Truth.

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

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