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## Long-Term Care Insurance

### Planning for the unknown

One of our biggest fears as we age is becoming a burden to loved ones if we become incapable of living independently. Many boomers have helped care for their own parents and know firsthand how emotionally and financially draining long-term care can be: A 2010 MetLife survey found that the average cost for a private room in a nursing home in the U.S. is \$229 a day, or \$83,585 annually.<sup>1</sup> That's why you may want to consider long-term care insurance as part of your retirement planning.

#### At a glance

- Long-term care insurance helps protect you from becoming a burden to loved ones.
- Long-term care insurance covers a variety of non-hospital-related, ongoing health maintenance and daily living expenses.
- Most policies require a waiting period before benefits begin.
- Consider features such as inflation protection and a nonforfeiture rider.

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#### What is long-term care insurance?

Long-term care insurance is designed to help pay for the cost of long-term care services. It is not the same as medical insurance, which generally provides coverage for doctor visits and hospital stays. Depending on the type of policy and coverage selected, long-term care insurance can provide coverage for long-term care in many settings. Medicaid, a joint federal-state government program for low-income individuals, will provide coverage for long-term care expenses if your income and assets are very low or after you have depleted most of your assets.

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#### What does long-term care insurance cover?

Long-term care insurance covers a broad spectrum of services. A comprehensive policy will cover a range of services at home, in community settings, assisted living facilities and nursing homes. This may include care advisory services, home care, adult day care, hospice care either at home or in a facility, and respite care services. Some plans have benefits for coverage of informal in-home care provided by family, friends or independent caregivers. It's important to consider all options, especially because you're planning for the unknown.

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#### When should I buy long-term care insurance?

When to buy long-term care insurance is an individual decision. You may want to consider the following to help you decide:

- Generally, the younger you are when you buy, the lower the premium. A 40-year-old in good health may pay \$1,000 annually, while a 65-year-old could pay \$3,000 a year.
- In addition to your age, insurance companies consider your health status, medical history and where you live in determining your premium.
- The advantage of buying a policy at a younger age is that your premium stays the same even if your health declines. On the other hand, if you don't need long-term care assistance until your 80s, you end up paying premiums for a long time.
- A serious medical condition, past or current, may prevent you from getting coverage.
- No matter when you buy long-term care insurance, make sure you choose a company that is financially strong and has a long track record selling this type of insurance.

1 Source: MetLife Mature Market Institute, The 2010 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs, October 2010

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### How does the policy work?

Although procedures vary with each policy, coverage is generally triggered when the insured begins needing assistance to perform two out of the six Activities of Daily Living (ADLs): dressing, bathing, transferring (moving in or out of a bed or chair), toileting, eating and continence. This number may vary from insurer to insurer.

When the insured person reaches this stage, it triggers a waiting period from 30 to 120 days, also called the elimination period. The policy does not pay any expenses during this period. When the elimination period is over, the policy begins paying for associated living expenses up to the amount covered in the policy. You can purchase a zero elimination period policy, but the cost is higher.

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### How much coverage do I need?

That depends on a number of factors, including:

- Where you live when you begin receiving care. Long-term care costs vary widely from state to state.
- Your ability to pay for services not covered by your policy. A general rule of thumb is to anticipate the policy covering 80% of expenses, with the other 20% coming out of your pocket.
- The limits of a policy. Policies may offer a variety of options as to the total amount of coverage available to pay for benefits over the course of your lifetime. The total amount of coverage may be expressed as a dollar amount such as \$100,000 or \$300,000, or it may be a period of time such as three or five years.

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### What other factors should I consider before purchasing a long-term care insurance policy?

You may want to consider certain policy features, including:

- Inflation protection, which raises your monthly premium but also increases your benefits to compensate for a modest level of inflation.
- A nonforfeiture rider, which ensures that you receive some reduced level of benefits even if you stop paying premiums. Without this rider, you could lose all the money you paid into the plan if you stop paying your premiums.

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### Talk to your financial advisor

Your sights are set on a financial summit – a college degree, new home or secure retirement. One of the best ways to help reach your goal is to partner with a strong team: a financial advisor who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies. Talk to your financial advisor about how an investment plan and Invesco can help you pursue your financial goals.

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Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.