

ADVISOR TRAINING

Using LTCi to Protect Retirement Income



Many times, people put sophisticated plans in place to pay for their lifestyle during retirement. These plans are designed to create an income stream to pay everyday living expenses. Unfortunately, many people fail to consider one significant expense – the cost of long-term care services.

With all the retirement planning options available today, it's important to remember one thing ... people need enough retirement income to cover their expenses. Using a long-term care insurance policy to help pay for long-term care services can be a smart way to make retirement income last longer. This strategy is well suited for:

- ▶ People who want to make their retirement income last as long as possible
- ▶ People concerned about their retirement income running out and having to rely on Medicaid for their long-term care needs
- ▶ Couples who may have different care needs



Just the Facts

- ▶ According to U.S. Department of Health and Human Services, 70 percent of people who reach age 65 will need long-term care services at some point in their lives
- ▶ Long-term care services can be expensive. Based on national average costs, people can expect to pay:
 - \$233 per day for a semiprivate room in a nursing home. That adds up to more than to \$85,000 per year
 - \$4,245 per month for a one-bedroom unit in an assisted living facility
 - \$22 per hour for the services of a home health aide or \$61 per hour for the services of a licensed practical nurse (LPN)
- ▶ Payment options are limited. Traditional major medical insurance doesn't cover long-term care services. That means people must rely on:
 - **The government** – Medicare provides limited coverage designed simply to help people get back on their feet after an illness or injury. Medicaid is a program of last resort for people with limited assets, which may mean spending down assets to qualify
 - **Self-funding** – Assets may not be available when needed. This may necessitate dipping into 401(k) or savings accounts, cashing in stocks or CDs or selling property. And that has the potential to trigger additional costs in the form of capital gains tax, income tax and surrender charges
 - **Long-Term Care Insurance** – Provides a monthly benefit to help pay for covered long-term care services, leaving the retirement income stream to cover normal living expenses

How it Works

Let's say your client has a retirement income stream of \$7,000 per month. This is intended to cover his everyday living expenses for the remainder of his life. But if the need for long-term care arises, take a look how paying for care could quickly deplete the income he's relying on.

Retirement Income Stream	Long-Term Care Expenses
\$7,000 per month Intended to cover monthly living expenses	\$6,990 per month Covers semiprivate room in a nursing home

Recommending a policy with a monthly benefit similar to the client's retirement income stream can provide extra funds to help cover the cost of long-term care services. That leaves his retirement income to cover daily, weekly and monthly expenses as planned.

Concept Advantages

Using long-term care insurance to protect your clients' retirement income provides these advantages:

- ▶ Allows them to maintain their lifestyle while also receiving benefits to help pay for the care they need
- ▶ Provides a smart strategy – especially for couples. The policy pays for long-term care services when one partner needs care, leaving the income stream to cover normal living expenses for the partner remaining in the home
- ▶ Helps ensure the pool of retirement money doesn't run out so the client doesn't have to face relying on Medicaid

Source: Mutual of Omaha's Cost-of-Care Study conducted by LTCG, 2014; released June 2015.