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White paper

Preparing for an effective LTC conversation with clients

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What is the best way to sell long-term care (LTC) products? You don't sell product, or start a LTC conversation touting the value of having LTC coverage. You may find more success by discussing the importance of planning for such an event, and the consequences that could follow if there is no plan in place. You goal is to be a "problem solver", not a sales person. Once the client sees the need for LTC planning, you can help them work through a plan for LTC, which will lead to a need to fund their plan. At that point, you can show your client funding options (products) for LTC that provides a "win-win" outcome. But first, let's look at a few things to remember when becoming a LTC planner.

LTC sales are not transactional. The sale will likely take a few appointments with a box of tissue on the side (as personal stories may be told).

Statistics don't work. It's not about the risk, it's about the consequences. Center the discussion around what would happen if no plan was in place.

Women generally drive the LTC sale. Try to have her speak first about her concerns so she is not in the position of contradicting her husband.

Women buy LTC, men buy returns. Have a toolbox of funding solutions ready to meet each need when the discussion evolves to the funding stage.

- LTC planning is for every wealth class. However, you must tailor your conversation around the consequences of not planning that meets each specific wealth class and then offer the appropriate funding solutions. See white paper NFM-16530AO, "The Four Tiers of Long-term Care Clients" for further details.

Analyzing prospects

LTC prospects can be categorized into three groups; and each group will require a different type of discussion.

1. People knocking down your door to buy because they are close to needing care.
2. People who have dealt with a family member needing care and have dealt with the consequences of that family member not having a plan.
3. People who don't believe they will need care, will self-insure if they do – and have no strategy in place in the event their fate includes needing LTC.

We will drill down on each group and how to handle a conversation.

Clients wanting LTC coverage when they will not qualify

Unfortunately, there are still too many clients who believe the time to buy coverage is right before you need LTC services. These people will likely not qualify for LTC coverage, thus other solutions will need to be discussed. For example, if the spouse is still insurable, the purchase of life insurance with a cash indemnity LTC rider can provide some help in such a situation:

The life insurance can serve as a "key caregiver" policy. In the event of an untimely death of the healthy spouse – who was counted on to provide care for the uninsurable spouse - the death benefit will provide funds to pay for the care of the uninsurable spouse left behind.

If the insurable spouse goes on a LTC claim, full indemnity benefits are paid, and can be used to pay for the care of both spouses. Keep in mind that the LTC benefit can only be used for the uninsured spouse if the insured spouse is on LTC claim and collecting benefits.

It's not a perfect solution, but better than no solution; and still covers several circumstances that could occur.

Clients with caregiving experience

People who have had an LTC experience with a family member understand the results of not planning for LTC. The client or members of the client's family may have experienced some of the consequences of being a caregiver such as lost income due to reduced hours at work, physical and emotional problems, or even family dissention. The client may even approach you first about LTC planning. Thus, for these clients, it is more of a matter revisiting the consequences that were experienced and then discussing the right LTC funding solution that meets their potential care needs, their budget and their total financial picture.

Having conversations with clients who resist LTC planning

The rest of this article will be devoted to the third category of client – those who don't believe they will ever need care, plan to self-insure, have misconceptions that the government pays for LTC, or all the above.

The subject of LTC will often be some the hardest conversations you will have with your clients; and to find more success, you may need to change the approach you have been using.

Opening the conversation

The first mistake advisors make is using the words "long-term care" in the initial opening of the conversation. Many people view "long-term care" as a stay in a nursing home, so your discussion may likely end before it gets started. Start with something like, *"let's look at how we can fund keeping you in your home longer should you start to need some help".* Keep the focus on home. Over half of LTC claims begin as home health care claims,[1] so this approach makes sense. Then you can transition your phrasing to "extended care needs". Only when the discussion hits the point of funding the plan you have discussed do you transition to the term "long-term care", since that is what funding solutions you may suggest are called.

Straightening out misconceptions

Unfortunately, your clients may be armed with inaccurate information about LTC. The following chart shows some of the most common misconceptions clients have regarding how LTC can be paid for.

Self-insure	Medicaid	Medicare	Health insurance
• Possible for the wealthy • Not cost efficient • For ultra high net worth, but may not result in the best estate planning	• Must meet low income and asset qualifications • Less than $2,000 in countable assets • Nusing home often only choice of care	• If you can qualify, maximum of 100 days • Only first 20 days fully covered • Significant co-pay days 21-100	• Covers illness and injury, not LTC • Medi-gap may cover Medicare co-pay but not cost of care • ACA does not cover LTC

Once you have educated the client on the facts of what will not fund LTC, it is time to start discussing why having a plan is important.

Laying out the consequences of having no plan

Having a strategy in place is the most important part of LTC planning. The clients who believe care is in their future will fall into place and are not your primary challenge, though there will be times when the following strategies will be needed. Remember, we are now primarily talking about clients that don't believe they will need care, and that is more likely to be men. The challenge is to agree with the client (which helps disarm them), then show the client the consequences of not having a plan in place should they be wrong. The following is an example of a conversation that lays out the consequences of not planning:

> *"You're right Mr. Smith, you probably won't have a need for extended care......... but what if you do?....... How will you pay for it?"*
>
> Client answer: *"I'll use my assets; I have plenty of money."*
>
> *"Well, ... that could work if market timing cooperates.... but over the years you've experienced a few big downturns in the market.... 2001, 2008, and remember "Black Friday"? What if an extended care need happens when your portfolio is suffering a major downturn?"*
>
> Client answer: *"My kids can take care of me.... I have done plenty for them so now they can return the favor."*
>
> *"OK, as I recall, you have three children – two sons and one daughter.... will they all be helping?"*
>
> Client answer: *"Mostly my daughter I suppose."*
>
> *"Who will handle your money and make decisions about your care?"*
>
> Client answer: *"I will of course." Your response; "You may not have a choice...... you may not be able to make decisions at some point, and you may have to give up control".* Client sighs...
>
> *"How do you think your daughter will feel in time when she isn't getting help from her brothers? And what if your sons don't like the decisions your daughter is making? Can you see where this could lead to dissention among your children?"*
>
> Client nods yes.

"The best gift you can give your kids is a plan to handle your extended care needs should they arise, with your wishes laid out, and with a planned stream of funds that are not impacted by how the market is treating your portfolio."

Funding a plan vs. selling a policy

Now that you have laid out the consequences of not having a plan, and showed the importance of dedicated funding that is not tied to the market, you can discuss how to create an income stream.

That's where LTC coverage solutions come into play. The goal is to create a "win-win" solution. Even though this client may never need care (which is what they believe), you are suggesting solutions to pay for care that help protect the portfolio from being dipped into during a market downturn by providing a stream of funds that are not subject to market risk, and will pay benefits at death if LTC is never needed. This source of funds along with a plan that is communicated to loved ones will help protect the family from discourse and disagreements should care be needed.

Solutions that can provide such a win-win solution may include:

- life insurance with a LTC rider
- or linked benefit LTC coverage.

Consider these talking points when showing solutions:

- "This solution creates a non-correlated asset in your portfolio that will not be subject to market downturn. You can't grow the money back that you've withdrawn. This solution allows your portfolio the chance to rebound should the market go south during an extended care need."
- "This solution pays LTC benefits by cash indemnity. That means you can have the same flexibility on how to spend your funds on care needs as you would have had by self-insuring – and with dedicated funding ready to go whenever the need arises."
- "You can self-insure the old-fashioned way, or 'self-assure' - which is a way to insure with your own funds, but create a 'stop loss' of sorts. When LTC benefits are paid, the premium you paid to purchase your LTC coverage is used first, then the leveraged amount kicks in to pay benefits – creating a 'stop loss' – and protecting your assets up to the leveraged amount. If you never need care, your estate will get at least what you paid for the policy if not more."

First showing clients the need for LTC planning, then creating awareness of the consequences that may arise from lack of a plan, better equips the client to see the need for efficient funding of LTC.

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[1] The American Association of Long Term Care Insurance, AALTCI Sourcebook, 2015-2016

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