Can Anyone Really Ignore Long-Term Care Insurance Anymore???

(as published in *Life & Health Advisor*, February 2010)

What does it say about a person whose favorite photo collection right now is the AARP magazine covers? Kevin Costner, Richard Gere, Clint Eastwood, Sally Field, Ron Howard…with this list, I don't mind telling you the person is ME. I also don't mind telling you that I just watched *It's Complicated,* and cheered for 60 year old Meryl Streep cast as the same age as Alec Baldwin, who is only 51. And believe it, Tina Turner still has those legs at age 71! Let's face it – many baby boomers today just look a lot better than our counterparts a generation ago.

While the improved physical aspects of the baby boomer may cause us to smile gratefully, what about the rest of our existence? Are we better off spiritually, mentally, emotionally and financially?

> *Research from McKinsey & Co. finds that the average American family will face a savings gap of $250,000 at the time of retirement. Even with payments from Social Security and pensions, as well as personal savings in 401(k) and other retirement plans, the average family will have only about two-thirds of the income it will need.* [1]
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> And this from Terry Savage, *Chicago Sun-Times* financial columnist in her 2009 book:
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> *What's the greatest risk in your financial plan? We've seen how a stock market crash can devastate retirement plans. But the greatest risk is not the longevity of this bear market, or even another bear market. It's the devastating cost of long-term care.*[2]

As baby boomers transition from the accumulation phase to the distribution phase, advisors are in demand to construct an income stream that will last 20 or 30 years and even longer. Is there enough in the proverbial nest egg? Can a financial plan that guarantees one won't outlive her money be constructed for people who spend more years in retirement than they work?

The answer is ABSOLUTELY NOT – if the need to plan for long-term care is ignored. Let's take the gloves off. Do we care about our clients or not? Do we care about the person we see at the grocery store, sit next to at church, go to PTA meetings with? To ball games with? Our neighbors, our friends, and yes, our family? Are we talking about how essential it is to have this need taken care in order to enjoy retirement? Because planning for an income to last 30 years means you don't want to have a bump in the road.

Here's a news flash. Long-term care isn't a bump in the road. It's an EARTHQUAKE. The resulting crater will swallow the best-laid retirement plan.

I agree 100% with Harley Gordon that long-term care insurance is really income protection, not asset protection. The person with $3,000,000 who plans to earn 5% in retirement income of $150,000 had better have a great plan if $75,000 has to pay for caregivers, starting next month because he or she had a severe stroke. If the growth rate over the last 20 years continues, long-term care costs will triple in the next 20 years.[3] *Will your client's income triple in the next 20 years?*

When your client denies that anything will ever happen, try asking when the last time was that his nightly news reported on a non-celebrity having a massive stroke? Not exactly news, since at least 700,000 people in the United States have a stroke every year, with one out of four being under age 65. [4]

> *My favorite cousin while I was growing up was Carolyn. I loved it when she baby sat me because she would show me her beautiful dance dresses. She had every color and was the best dancer I'd ever seen. Her brown eyes sparkled with happiness when she danced and she always had her most beautiful smile for me. She had a massive stroke at age 61 and has been paralyzed on the right side of her body and without speech for eight years. Her mind is fine. I know she remembers those dancing days.*

Oh, the client has $5 million dollars and can self-insure? Since when has any financial planner ever told a client to forget about homeowner's insurance and pay full price for replacing a home? For hospital and doctor costs? For real estate, art, jewelry, and to be sure and pay top dollar for the new swimming pool?

However, I think there is a misconception about just how many Americans have several million dollars. According to a 2009 report from the Financial Research Corporation, only about 10% of households 45 – 74 have over $500,000 in investable assets. Less than 5% have over $1 million.[5]

That means that most people need our help and *it's our job* to be sure they understand they need our help. Since when do we wait for people to walk up to us and say they need life insurance, disability income insurance or retirement planning services? The difference here is that long-term care insurance can be much easier to prospect for because if you are a baby boomer, you will find that most of your peers are experiencing it with a family member and have learned the hard way that it isn't covered by anything else except Medicaid, which brings a plethora of limitations.

I continue to believe that long-term care is the REAL health care crisis in America and we only have a few years to get it to the masses in time to make a difference. Here are three ways it can be done:

1) **Worksite LTCI:** In 2008, 51% of the long-term care insurance policies were bought at work.[6] That's a combination of true group and multi-life, but multi-life is driving the bus with a growth rate of 47% from 2007 to 2008. **Network with employee benefit specialists to break into this market.** Since most employees are now going through LTC with a family member, they are hungry for the great news that there is a way their own children don't have to go through it with them. And amazingly, most employees aren't complaining about the economy. They are just appreciative that their employer cared enough to make LTCI available. The secret to participation rates of 20% or more is a 6-8 week pre-education program that gets the employees to the employee meetings, then offering personal consultations for employees and family members after the meetings.

2) **Partnership LTCI:** Using the Partnership as an additional incentive will increase worksite LTCI sales. **Network with other professionals to increase individual sales by doing retirement planning town hall meetings in your area and working in the Partnership message that families can protect assets and avoid estate recovery.** Titles like "Don't Bet the Farm – Is Your Family Protected?" are effective in rural areas as many families have no clue that a farm that has been in the family for generations can be jeopardized by estate recovery.

3) **Combo Annuity/LTC products:** Now Americans can exchange older non-qualified annuities for these combo products and pull the gain out tax-free for qualified long-term care expenses. **Network with annuity marketers to get into this market and to help the annuity marketer learn how to be sure the LTCI benefits are meaningful.**

When AHIP tells us that **57% of people over 50 report they've never been approached to buy long-term care insurance,** I know we can do a better job…and the best news of all is there's never been a better time or more needed time to talk about planning for long-term care.

Scared? Someone said once that courage is just fear that has said its prayers. Join me on May 24-26th at our 2010 LTCI Worksite and Combo Products Conference in Nashville for the knowledge you need for all of these exciting directions…and maybe learn a new dance step or two at the Wild Horse Saloon while you're at it!

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[1] TIAA-Cref Press Release, "The Current State of Americans' Retirement Plans", January 8, 2010); [2] Savage, Terry. *Chicago Sun-Times* Financial Columnist, author of "*The New Savage Number: How Much Money Do You Need To Retire?*" John Wiley & Sons, 2009, p. 218; [3] Agency for Healthcare Research and Quality for 1987 info and carrier cost surveys for 2009; [4] Centers for Disease Control and Prevention, 12/31/08; [5] *2009 Making Sense of*

Investor Needs in the Retirement Income Market, Financial Research Corporation, Boston, Mass. [6] "Multi-Life in the Large Group Market", Session 09-19, 9th Annual ILTCI Conference, Reno, NV, 3/30/09.