Info to share with Dave Ramsey

Slide 1: The age of the LTCI buyer is much younger

Slide 2: Medicaid is destroying our state budgets today…BEFORE the baby boomers hit it for LTC and the Medicaid expansion kicks in to put in younger people for free health care starting in 2014.

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March 14, 2013

TO: DAVE RAMSEY
FROM: PHYLLIS SHELTON
RE: Importance of Buying Long-Term Care Insurance at Younger Ages
DATE: March 14, 2013

Dave, thank you for the opportunity to share the results of my research after interviewing several long-term care insurance carriers about decline rates. The average profile is this:

- one in ten is declined under age 50
- one in four declined under age 60
- one in three declined in the 60s
- almost one in two declined age 70+

With one popular carrier, the results were even more dramatic. The Vice President of Operations who has been in charge of all the administration including underwriting and claims for 30 years said this to me:

"This should demonstrate to anyone that we should not recommend people wait until 60 to apply because out of all denials 72% are under the age of 67 and 34% are under the age of 57. Health is not guaranteed until age 60."

Plus, Dave, the longer one waits, the more benefit he or she must purchase because long-term care costs are increasing so rapidly. In other words, the younger you buy, the longer you will pay, but you will pay less.

For example, a married 50 year old with preferred health can still buy a plan that will pay about 80% ($4500 a month) with a three year benefit period and the best inflation (5% compound for life) for about $1730 a year (Mutual of Omaha). Waiting until age 60 means he has to buy $7500 a month because that's what it will grow to in 10 years. Now he doesn't qualify for the preferred health discount and his premium is $4000 a year.

Developing this example further, buying at age 50 means paying about $52,000 in premium in 30 years to get $700,000 in benefits on that plan. Yes, there will be class rate increases but there's a huge difference between those two numbers so you can still see the concept! And investing the difference of $2270 over 10 years at 3% to 5% only grows to about $30K then you have to subtract taxes and investing fees if applicable.

So advice to wait until age 60 is causing a 60 year old couple in ok health to have to consider $8000 a year for coverage when they could have gotten it for only $3500 a year at age 50 when they were in great health.

But there is a MUCH bigger picture here, Dave. The other gigantic reason we need you to change your advice has to do with our national economy. The President said in his 2013 State of the Union speech "Yes, the biggest driver of our long-term debt is the rising cost of health care for an aging population". (See attached article is in the February 12, 2013 *The Washington Post* http://tinyurl.com/clnw7q2)

We can transfer much of the health care costs for the aging population away from Medicaid to private long-term care insurance by utilizing the LTC Partnership program which is available in 40 states. (http://w2.dehpg.net/LTCPartnership/) It provides asset protection equal to benefits paid out if insurance isn't enough. This makes Medicaid the payer of last resort, not first resort, plus gives families private-pay choices as long as possible. Most people don't fall onto Medicaid when they have LTC insurance with a good inflation benefit. **This leaves dollars in the state budget to pay for education, public safety, jobs...you get the picture.**

There are still good deals on LTC insurance for people who check into it now before such things as gender rating and lower discounts kick in. Just compare premium to the benefits available in 30 years and it is generally about 10% in premium vs. benefits. *Getting the asset protection is a huge bonus as it may be enough to save a home or farm from estate recovery so it can stay in the family.*

This is a very time sensitive topic, Dave, as there is just a short window for people to get long-term care insurance the way it is being offered today.

I wasn't going to do another book but there are so many things changing that I felt like I had to in order to tell as many consumers as possible the window is closing on a number of great things in long-term care insurance. Those who get the policies now will get to keep them. In addition to gender rating, here's a list:

- the 5% compound inflation benefit is getting much more expensive (you know how strongly I feel about that)
- reduced discounts for couples
- reduced or eliminated discounts for preferred health
- family history questions required in underwriting - can be hurtful to people with parents with Alzheimers
- blood tests and other body fluids required in UW (opens the door to genetic testing!)
- limited pay almost gone (this is a particular loss to business owners who can deduct the entire premium on owner and spouse/partner if they are a C-Corp)
- only four carriers left that sell in the worksite with reduced premiums and limited underwriting (this is huge as people need to learn about LTCI at work while healthier and more affordable)

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But there are workarounds for many of these including a combo life/LTCI product that allows annual premiums instead of a big single premium and the premiums are guaranteed for life. There's also a way to transfer qualified money not needed for income into combo life or annuity products in several installments to minimize the tax impact. Very few people know about these solutions. There are also ways to build a virtually unlimited benefit period although that's almost completely gone as you know.

In my new book, I have a symbol for "Consumer Alert" all through it to let people know so they can react. BUT I can't ever begin to reach as many people as you can. If you want me to be on your show or even as a call-in interview, I would be happy to do it to give people a chance, especially women, to get long-term care insurance NOW to get the very best deal.

Finally, I feel so strongly about this Dave that I don't even have to mention I have a new book. This isn't about self-promotion for me. It's about serving the families that I've spent the last 25 years of my life working so hard to protect and also it's my way of serving my country at a desperate time in our history. If you remember anything at all about me, you know that's the way I feel.

Last but not least, I've attached two slides to support the information I've shared in this email:

1) clearly shows how the age of the LTCI buyer is much younger today

2) a recent headline from *The Tennessean* that says "TennCare Eats Up Most of the Increase in the Haslam Budget" … and that's only the tip of the iceberg as to what we are going to see when the baby boomers start hitting it for LTC.

Dave, you have made it so clear over the years that you want to be instrumental in making it possible for families to truly know financial peace. The way I see it, your life's work is at risk if you don't give people the info they need to plan for long-term care early enough to make it affordable. Most people are never in a nursing home because 75% of the care happens at home. The suffering of the primary caregiver sometimes pales in comparison to the person needing care, especially if the caregiver has to quit a job and reduce the family income even further. I predict LTC will cost about $30K a month in 30 years and very, very few families will be prepared for that without LTC insurance.

Thank you.

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The Washington Post Print

Obama: Limited cost-cutting for Medicare

By Natalie Jennings , Updated: February 12, 2013

When it came to Medicare, Obama reiterated his determination to accept only limited cost-cutting proposals.

Among the ideas he appeared to reference was requiring pharmaceutical companies to charge Medicare the lower rates they currently receive from Medicaid, the federal-state health insurance program for the poor.

Obama also mentioned asking "more from our wealthiest seniors"—presumably a proposal to increase the Medicare premiums that higher income seniors pay. And he noted that his 2010 health-care law already contains measures aimed at slowing the growth of Medicare spending.

These include penalizing hospitals for unnecessary re-admissions of Medicare patients they treat, as well as payment incentives to provide more efficient care. However, as he did in his inaugural address, Obama suggested he would stand firm against cuts that would require a more fundamental restructuring of the program. "Yes, the the biggest driver of our long-term debt is the rising cost of health care for an aging population," he said. "But we can't ask senior citizens and working families to shoulder the entire burden of deficit reduction." a

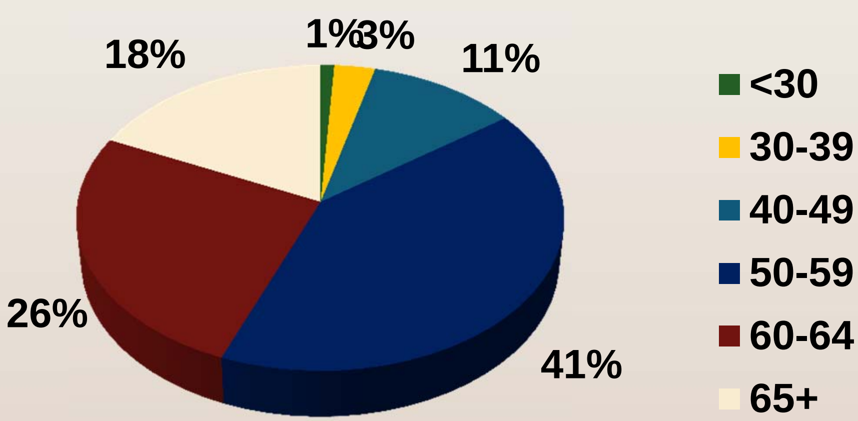
Age of Today's LTCI Buyer

- **82% of individual buyers are < age 65**
- **Over half are under age 60**
- **Only 3% are over age 75 (AHIP, 2012)**

Decline rates are 1 in 3 in the 60s

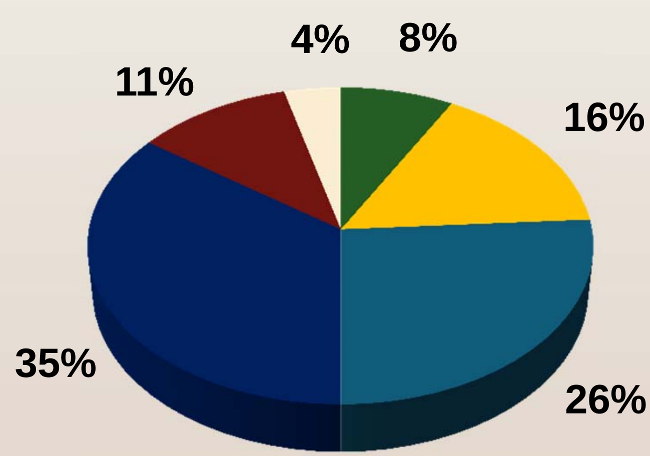
2011 LTCI Sales by Age

Individual LTCI Insureds



Average age 58

Group LTCI Insureds



Average age 48

LIMRA, *Long-Term Care Insurance Sales Supplements,* ongoing (received 2/13); AHIP/LifePlans 2010 Buyer/NonBuyer Study

TUESDAY, JANUARY 29, 2013 • NASHVILLE

A GANNETT COMPANY

DCS, jails would get more money

Gov. Bill Hasm delivers his annual State of the State address Monday at the state Capitol. SAMUEL M. SIMPKINS / THE TENNESSEAN

TennCare eats up most of increase in Haslam budget

from this fiscal year's budget, paid for with growing revenue, but most of the additional spending would be taken up by TennCare, the state's Medicaid program.

The state anticipates more than $200 million in medical inflation and other health care costs for people al-

HASLAM'S SPEECH

In his State of the State address, Gov. Haslam urged more spending for higher education and technology. **On 2A**

MORE PHOTOS

Go to **Tennessean.com** to see video of the governor