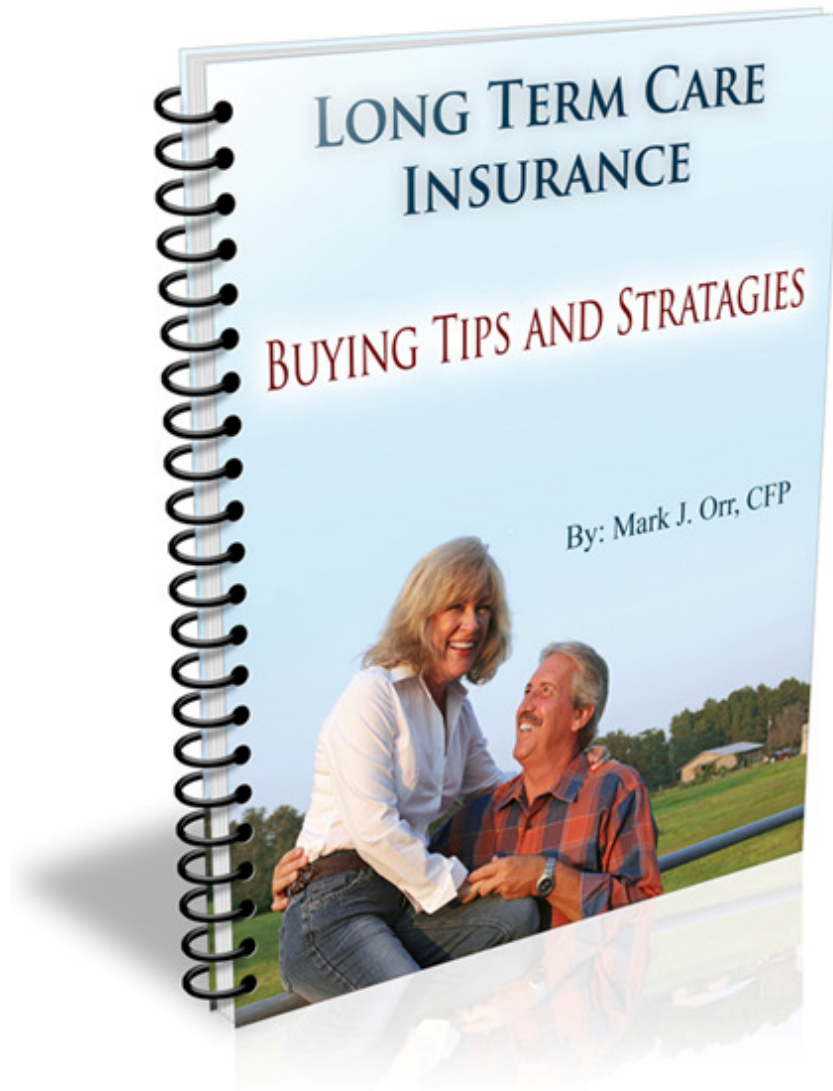


SPECIAL REPORT

All You NEED to Know About Planning Ahead for Long Term Care Expenses



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Certified Financial Planner and Registered Investment Advisor

Get ready to be FULLY armed with what you will learn right here before even thinking about buying Long-Term Care Insurance (LTC).

Over the course of the next number of pages contained in this document you will learn and fully understand so many LTC policy design DO's and DON'TS and get many planning & buying tips.

You WILL know more about LTC policies than the large majority of insurance agents that have been in the business for years! You will not be disappointed. Neither is there a catch or obligation of any kind. And NO AGENT will EVER call you.

SO congratulations to YOU and SHAME on THEM (the insurance agents that do not know this info)!!

Before we get started, I thought you would like to know some information about me and why I've extremely qualified to share this information about planning ahead for long term care expenses.

A little about the author

Thank you for taking your time to read this Special Report. My name is Mark Orr and I am a fee-based Certified Financial Planner and I own a boutique Registered Investment Advisory firm. I've been a financial advisor since 1997. Before that I was in the real estate development business as well as being a partner in many start-up companies in a variety of industries.

I started my financial planning career as a Long Term Care insurance specialist. I worked for a very well-known insurance company when I got started.

But I quickly found, that even though I believed that they had the most attractive LTC policies at the time (and my wife and I bought them at age 40!), I didn't want to have to offer policies from just one company. I wanted to be able to offer LTC policies from ALL of the top insurance companies as well as offer insurance and investment services as well.

So I became an independent insurance broker and started getting my Certified Financial Planner courses (a 2 year course and learning commitment) and getting my stockbroker's license, etc.

Since then, I've helped hundreds of families plan ahead for long term care expenses and it is still a major part of my financial practice.

But probably the largest part of my business is completing life insurance audits and using life insurance creatively to meet many client goals. People have NO idea how many financial goals can be met by using specially designed life insurance policies. It is very rewarding to make a huge difference in the lives of my clients (and their beneficiaries) as you have seen in the examples in the Report.

As a bonus for getting and reading this Special Report, you can get another report that focuses on life insurance. I can guarantee you that you will have never known anything about what you will read in that Report. You can get it for free at: <http://smartfinancialtips.com/LifeAudit/>

I am also a Registered Investment Advisor. My money management firm, MORR Capital Management, Inc. is paid fees by my investment clients to manage their money instead of being paid on a commission basis. This way, my clients and I are sitting on the same side of the table. We concentrate on preservation and growth of assets rather than trading (which generates commissions).

The client's money is held at one of the well-known custodians (you see their commercials on TV all of the time) and is mostly invested in no-load index and institutional mutual funds and ETFs.

These well diversified portfolios are individually designed based on the client's goals, dreams, time horizon and their tolerance for taking risk.

I also publish a free e-newsletter. My thousands of loyal readers live all around the world and if the number of people who they tell about my e-newsletter is any guide – they love it!

They receive regular financial tips, ideas and strategies that cannot be found in any other single source. If you aren't already getting your issues, you can go to:

www.SmartFinancialTips.com

and register to receive it immediately (It's a FREE lifetime subscription right now, although that will likely change soon).

I also publish www.DeductYourVacations.com since vacationing is not only my hobby -- but it is my PASSION! I try and go on 2-3 cruises and take 4-5 other vacations each year and this website shows other people how they can easily afford to do the same. We recently got back from a five night cruise to Cabo San Lucas for just \$69 each! We are on our way to an 11 night cruise to South America for just \$399 each! Then we're going to the exclusive Occidental all-inclusive resort on Aruba for 4 or 5 days. And we deduct those vacations from our I.R.S. bill too.

If you are retired (or your parent) and not taking at least 4-6 awesome vacations each year due to not having the budget to do so, then this site is a must. Or if you are still working and want to stretch your vacation experiences to the max... even if you are on a budget, you should also visit that site right now. Vacationing like this with family or friends is just awesome!

It's also great for families!

Another fun and also emotionally rewarding area of my practice is showing people, even those with high incomes, how to pay off their 30 year mortgage in about 12 years – WITHOUT sending the lender larger or more frequent payments.

If you already have your mortgage paid off (the strategy even works on paying off second homes or rental properties) you might want to tell your children or grandchildren about my web site: www.CutYearsOffMyMortgage.com

So let's get started, OK??

Why not start at the beginning? Why not **start our focus on WHY millions of people have planned ahead with LTC insurance.**

Shopping TIP #1

Today, America is on the cusp of yet another health care crisis -- paying for LTC expenses. Today LTC costs are already one of the largest components of Medicaid spending that most states face.

Millions of Americans are taking care of a parent, sibling or even a child - either at that person's home, in their own home or supplementing care given in a long term care facility.

And the baby boomers haven't EVEN hit retirement age yet!

Today, depending upon where you live, LTC costs can range from \$30,000 to well over \$100,000 per YEAR. These costs continue to escalate at an imposing rate like most medical expenses.

In fact, LTC costs are expected to DOUBLE in 12-14 years. If the trend continues and doesn't get worse, they would DOUBLE again in another 14 years or so.

That means in 25-30 years, costs for taking care of those who can't care for themselves would be \$120,000 - \$400,000 per YEAR!

What would even a 2 or 3 year "need for care" do to most people's savings at that point?

Is there anything other expense, other than a potential LTC need, that most people haven't ALREADY insured against? I can't think of any! Certainly not one that will so likely to hit millions of people over the next 20-40 years.

Would your savings be able to support that kind of annual cost for care? Would spending that amount of money on your spouse... put YOUR future at risk?

What about depending upon family members? That seems to be the default choice amongst many people. But there are some potential problems with that choice.

Your children might not be in a position to help out as much as they would love to... for all kinds of reasons. They may live in another part of the country, they may have responsibilities with their own children, a career that won't allow them, or a spouse that won't agree to uprooting or changing their current life.

And sadly, sometimes we even outlive our own children.

In any case, having good LTC coverage will help your children give you the kind of care and support that they WANT to do while freeing them from total responsibility and changing their lives forever.

Look anywhere and your research will find that 40% of us will need some form of LTC services at one point in our life.

Some LTC needs will last just a few months, other's like Alzheimer's, stroke or accident can last 10-12 years or longer!

A need for LTC services (needing help in bathing, dressing, eating, toileting, etc. OR having a cognitive impairment) can be caused by illness or accident.

My friends, the financial risk is real and the potential stakes are high. There are two options people can make. They can stay in denial (believing it won't happen to them... but to somebody else) or they can make prudent plans to prepare.

I agree that the thought of needing help to bath or dress is not pleasant, but for millions of Americans, that will be their reality.

The three biggest reasons why my own clients have planned ahead for LTC is that 1) they realize they will not have the financial resources to pay for their own care, 2) they do not want to be a burden to their children, and 3) they want to remain in control and make the decisions about their care (rather than the government).

In a nutshell, it is about peace of mind through prudent planning in advance.

Over the next several pages you will learn how you can plan ahead for LTC expenses WITHOUT breaking the bank. Using the strategies and planning tips that you will learn here, you will be armed with the information that you need to make your own smart decisions.

You will probably know more than most of the insurance agents out there who are trying to sell you a policy -- one that they JUST learned about in some 2 hour insurance company seminar.

Enough said on that subject for now, OK? Just do yourself a HUGE favor and keep reading these 17 shopping tips so you will be empowered to do what is best for you and your family.

****** Mark's Shopping TIP:** Before you decide whether or not buying LTC coverage might makes sense for you and your loved ones to protect your assets and your families future lifestyle, get all the facts. Then by using the insider tips on how to buy an LTC policy like a pro, you will empower yourself with the smart consumer edge you need to make the best decision for YOU!

And you can do so AFFORDABLY!!

LTC Shopping Tip #2

Won't the government pay for this? How do the Medicare and Medicaid programs fit into paying for your LTC costs?

Medicare is a program designed for people who turn age 65 to offer health care. But Medicare doesn't pay for all kinds of health care or all such associated expenses. Most people will also buy a Medicare Supplement policy (or MediGap) which pays for some of the deductibles and co-pays for you.

Without going into all of the plan's specifics, let's just focus on how Medicare can help out when one needs LTC services. First of all, Medicare only pays for LTC services if one has stayed in the hospital for 3 nights first.

So if one had a stroke or accident they would probably be in the hospital for that long -- or maybe not!

If one had Alzheimer's, NO overnight hospital stay is necessary therefore Medicare will not pay ANYTHING!

But let's say one is in the hospital for those 3 nights. If necessary, Medicare will pay everything in a SKILLED nursing home for UP to 20 days.

Then, if more care is skilled nursing care is needed, Medicare will pay everything OVER \$109/day or so for the next 80 days. You OR your Medicare Supplement policy (assuming you had one) would pay that \$109/ day.

Again these payments are only available if one is in the NURSING home -- not for home care or in an assisted living facility.

BUT... on day 101, it all STOPS and Medicare will not pay anything for LTC facility costs. Neither will any Medicare Supplement policy pay further.

For actual hospital stays Medicare will pay (although most people do NOT understand that Medicare does have lifetime limits on the number of hospital days they will pay for during a lifetime!!) Yes, that's true. Medicare's help has its limits!

Medicare does pay for SOME rehab costs etc. at home if one is recovering from a stroke or something. But ONLY if the person CAN get better - not for Alzheimer's or something which there is no cure or possible recovery.

Clearly Medicare can be of help in the short term, but it does have HUGE limitations. Certainly it does not replace the coverage available in a LTC policy.

So what about Medicaid?

This program has ALWAYS been designed to help the poor or those MADE poor by LTC expenses. Details vary slightly by state. And the program just tightened up again in February 2006 with the new Deficit Reduction Act signed into law.

What is poor? For a couple, it is about \$100,000 (varies by state) plus the primary residence, a decent car (a Rolls Royce does not qualify for this exclusion), burial plot, a wedding ring, etc. So a couple would have to spend down their assets to about this level to qualify. New laws only protect up to \$500,000 in home equity!!

For a single person (think of all the widows, widowers and singles out there) it is about the same -- EXCEPT the amount one is able to keep is ONLY \$2,000. That's right you basically have to spend all of your own assets on care before Medicaid will step in and help.

Plus, there are income restrictions. So even if you spend your assets down to next to nothing... you may still have TOO much income from a pension, Social Security, etc., and NOT qualify for Medicaid.

The New Medicaid Rule. The people who plan to use Medicaid (the welfare system) to pay for their (or their parents) LTC expenses should take note. The rules and restrictions get stricter every few years and probably will continue to do so, since the Medicare and Medicaid systems are even MORE financially broken than the Social Security program.

That is a FACT, not an opinion.

A little-known provision in the Deficit Reduction Act, signed into law on the 8th of February 2006 prohibits people from getting Medicaid coverage IF they GIVE away their money or assets within 5 years of incurring nursing home expenses. Previously the "look-back" period was just 3 years.

What does this mean? Medicaid says that if one gives property or assets away in the five years before they apply for government help, the potential government aid is reduced by the amount of assets given away. The reduction results in a number of months that one must WAIT for the government to pay.

For example, if you gave away \$50,000 to kids within 5 years of applying for Medicaid and the cost of care in your area is \$5000 per month, then you would have to wait an additional 10 months after normal qualifying to get ANY Medicaid help. Give away \$200,000 and one would have to wait an additional 40 months to get Medicaid.

Not a good idea.

Chances are that five years is too far ahead to know if you would need LTC services at such point. Do you really want to give way your assets anyway before you know if you might need them or not? They might even be lost to a divorcing or spendthrift child.

The government wants those with substantial assets to have a much more difficult time qualifying for Medicaid and hopes to save BILLIONS of dollars with this new provision.

There are further changes in the Act to disqualify potential married Medicaid applicants such as reducing the amount of home equity threshold from \$750,000 to \$500,000. So before one might qualify for Medicaid help, they would have to spend all or most of their home equity first.

Medicaid recipients who have annuities must now name their STATE as a remainder beneficiary to cover Medicaid's LTC expenses.

You see the Medicaid program is basically a loan. The government will try to get their money back from any assets still owned (if any), once the patient (and spouse if applicable) passes away -- including home equity.

The bottom line is this. Our government, which cannot afford the Medicaid programs today (let alone when all of the baby boomers hit this age) is making it MUCH harder to qualify for LTC help.

In many states, Medicaid does NOT even pay for home care or care in assisted living facility. It only pays for care in a Medicaid nursing home. And don't even get me started on those....

****** Mark's Shopping TIP #2.** Please don't depend on the government to pay for your LTC needs UNLESS you have no assets to protect and no or little retirement income. Essentially you would then become a ward of the state. By planning ahead as I will teach you, you can avoid depending upon changing government rules and limited care options.

Next we will explore the difference between Monthly benefits and Daily benefits and what that means to YOU!

LTC Shopping Tip #3

Continuing on with the basics of shopping for a great LTC policy... this LTC shopping is about choosing between: DAILY vs. MONTHLY policy benefits.

When an LTC policy is purchased one of the choices you will get to make is whether you want your benefits for care to be based on a daily or monthly basis.

So what is the difference?

In most parts of the country the benefits chosen are in the range of \$100-\$250 per DAY OR \$3000-\$7500 per MONTH. In other parts of the country the costs for LTC services can climb to nearly \$500 per day!

But daily or monthly sounds pretty much the same to me, doesn't it?

Well there is a difference -- especially with home care. You see, with a daily benefit of say \$150, it usually works this way. Imagine if your home care costs on Monday is \$130 and the costs for your home care on Tuesday is \$180.

The way most Daily benefits work is that if you don't spend your full amount one day, you don't lose it forever -- but it is NOT available to use the next day. It simply would extend your benefit period (the number of years the policy will pay a claim) --- We'll talk about benefit periods further on.

So in the above example, just because you spent less one day (under the \$150), it doesn't count towards when you spend more the next day (over the \$150). So even though you spent less on Monday than your full benefit you'll still have to pay the \$30 EXTRA (\$180-\$150) out of YOUR own pocket for Tuesday.

The \$20 you spent less on Monday will not disappear, but it will extend your total benefit period (the number of years of your policy benefits) by that same \$20.

Now with MONTHLY benefits, of say \$4500/ month. The way it usually works is that you can spend that amount on care during the month, but once you spent it, anything else you spend in the month is out of your own pocket.

Since the insurance company lets you pay for your care to the amount that you bought in your policy (i.e.: \$4500/ month), then they fulfilled their promise to you for that month.

Even if you spend it ALL in the first 2-3 weeks! Any other expenditures are out of your pocket. And the next month, you get another \$4500 again available for your care costs.

There are also policies that offer a weekly benefit. These basically work just like monthly benefits but with a week of flexibility rather than a month.

The bottom line is that you have much MORE flexibility with monthly benefits than daily. And less likely that you will have to take money out of your OWN pocket. But monthly benefits programs come at an extra premium.

****** Mark's Shopping TIP:** If HOME care is of greatest interest to you, the monthly benefit is probably worth the extra cost.

However, if you are single and most likely going to be in an assisted living facility (a "resort" for those who need care instead of a nursing home), then I would probably save the extra premiums and look at a daily benefit. You see facility care costs are more like hotels -- without the likely daily fluctuation of costs normally associated with home care.

LTC Shopping Tip #4

Now we'll talk about benefit periods or what I call "Short and Fat vs. Long and Skinny LTC Policies"

That is right -- Short and Fat LTC policies! So what is a benefit period anyway?

The benefit period is the number of years that ONCE you go on claim (need help in bathing and dressing or have some cognitive impairment (Alzheimer's or similar) that the insurance company will pay the daily or monthly benefit that you chose when you applied for coverage.

So if you bought a benefit period of say 5 years, once you qualified for benefits, and satisfied the deductible (I'll write about these tomorrow), the insurance company will pay those benefits for a maximum of 5 years in this case.

Most insurance companies have a number of benefit periods to choose from. Typically they are 2, 3, 4, 5, 6, 7, or 10 years OR an Unlimited benefit period (say you went on claim for 35 years due to being in a wheelchair or something).

Most LTC policies have at least four or five different benefits periods from which you can choose from.

The benefit period, whether a set number of years, say 4 years for example or unlimited years are the MAXIMUM amount of time, policy would pay on a claim.

Now for the "Short and Fat" part...

Long ago there wasn't too much difference in the premium prices for a 5 year benefit period compared to an Unlimited policy. So since there wasn't much of a cost difference, many clients chose the Unlimited benefit to protect against a HUGE potential disaster of needing help in bathing/dressing, etc. for DECADES -- not a few years.

But today, there is a much larger difference in the premium prices for unlimited. So what to do?

First of all let me say that one of the largest LTC insurance companies has statistics that show that only 11% of their claims to date, last longer than 5 years. Of course this means that about 90% of the claims last shorter than five years. So the odds are very much in favor of never needing a policy that would pay unlimited years.

So compared with a policy that offers an Unlimited benefit period, you can get a much higher daily/monthly dollar benefit that you are MUCH more likely to actually use and benefit from. Any unused dollar benefits will extend the number of years of your benefit period and not be lost.

Also you are much more likely to use a higher dollar amount for 2-4 years than having to pay extra money out of your pocket during care with a benefit period that is probably never going to be reached.

But... if you are fairly young (30-55) an Unlimited policy still might be a choice to look at. Older ages will find Unlimited years of benefits very expensive and there is likely a better way to structure a policy.

So knowing the above statistics, would it make more sense to you to have a Short and Fat policy (one with a larger daily or monthly dollar benefit for a short period of time) verses... a smaller daily or monthly dollar benefit for a long period of years?

I'd put my money on Short and Fat!!

So if you would normally consider a policy that pays \$150 per day for 7, 10 years or an Unlimited benefit period... you MIGHT seriously consider a policy that would pay \$180-\$200 per day for three to five years instead.

The odds are pretty good that the insurance company will pay more out for your care under these conditions. In an upcoming Tip I will tell you how many people can improve the odds even MORE in their favor!

****** Mark's Shopping TIP:** If BUDGET is a concern, the Short and Fat policy makes most sense since only a relatively few people remain on claim for more than 5 years. I would go with the odds and get a daily/monthly benefit that would cover anticipated costs rather than have a smaller dollar benefit for a longer number of years (a Long and Skinny policy).

I often recommend buying an even larger benefit dollar amount for a shorter number of years (3-5) so it might cover ALL costs of care. If you do not spend all of the money on care -- it just extends you benefit period.

Here is LTC Shopping Tip #5

The next consumer Tip that I will write about focuses on what constitutes a LTC claim (i.e: when will the insurance company start paying your care costs).

From here I will explain how LTC deductibles work – called an Elimination Period.

In 1996, the Kennedy-Kasselbaum Act was passed and this law gave all Qualified LTC policies similar language with regards to what constitutes a valid LTC claim.

Qualified refers to policies that the IRS are guaranteed not to tax the benefits when received (up to certain dollar limits) and permits potential tax deductible premiums (subject to IRS rules). There will be more on potential tax deductions in a later shopping tip.

There are two ways to go on claim --- either have a physical difficulty OR a cognitive one.

Let me start with the physical one. Simply put, one needs to have to get substantial human help with any TWO of the six Activities of Daily Living (ADLs). They are: bathing, dressing, eating, toileting, transferring (getting up from a bed to a chair) and incontinence.

The second part of needing SUBSTANTIAL help in any 2 of these 6 ADLs... is that you are expected to need help in these ADLs for a period that is expected to last at least 90 days.

Here is an example of how this 90 day part might work. Suppose you are 60 years old and go out to the mailbox and slip on an icy sidewalk -- breaking your hip.

For most healthy 60 year olds, you may need help in two or more of the ADLs -- BUT only for a period of 5-7 weeks. That is far short of the 90 day requirement so you would NOT have a valid LTC claim. Therefore the insurance company would NOT pay anything.

Remember that this is LONG term care -- not SHORT term care.

But if your mother who happens to be 84 years old, had the exact same accident, it is VERY likely that she would need substantial help in at least 2 of the ADLS for a period that would be expected to last LONGER than 90 days. So she would have a valid LTC claim.

In that case the insurance company would start paying the bills right away, yes? Probably not.

Why not? Because of something called an Elimination Period (EP) which is another way of saying a deductible. Why do insurance companies have to make things more difficult!

Anyway, the EP is the number of days that you have to pay out of pocket before the insurance company starts paying. The more the days of EP, the lower your premium is. Similar to your auto insurance, if your deductible is \$1000, the premium is less than if it was \$250.

Most companies EP, is counted by “dates of service”. Sometimes they are calendar day. Each insurance company offers many different choices of EP days which could include zero days, 7, 14, 20, 45, 60 or 90 days. In some states you can get an EP of up to 365 days.

The longer the EP, the lower the premium. Sometimes there is a different EP for home care than for facility care.

So if you chose a 90 day EP and the cost of care is \$5000 per month then you should think about paying \$15,000 out of pocket before the insurer start to pay.

But when choosing an EP, keep one thing in mind. It is likely that you won't go on claim for many, many years so the out of pocket cost will grow due to inflation. In fact, in 15 years the \$15,000 (for 90 days) would double to \$30,000. Fifteen years later it would double again to \$60,000 out of pocket (for the 90 days). (If medical inflation grew an average of 5%)

****** Mark's Shopping Tip.** I have two tips for you. The first relates to the substantial human assistance part of the 1996 Act. The best LTC policies have something called a standby clause. Essentially this makes it easier to go on claim if one can actually bath or dress themselves, BUT needs someone to stand by due to their being in great danger of falling. I ALWAYS recommend a policy that includes this clause!

Secondly, about elimination periods.... the younger you are the shorter the EP you should consider, because inflation will really affect the amount of money out of pocket you will need to pay. For those under age 50, I like to keep the EP to 30 days or less. Of course, if you are very wealthy you can afford a longer EP.

Next, I will discuss the importance of inflation protection and how to choose the best option for you! This subject is absolutely critical to understand.

LTC Shopping Tip #6

This message is highly important for you to grasp. It is all about protecting the daily or monthly benefit you choose at time of application from the HUGE impact of inflation.

Choosing an inflation protection rider is absolutely critical for anyone under the age of 75 when they buy LTC coverage. Those over 75 should seriously explore their inflation options too!

Why? Because if care costs \$150 per day today where you live, at just 5% inflation, 20 years from now it will be about \$400 per day. That is \$12,000 per month or \$144,000 per year -- and growing.

If you are 55 now, it may be 30-40 years before you would go on claim! Just 30 years from now, that \$150 current cost per day will grow to \$600 per day (\$219,000 each year). In 45 years the costs will be nearly \$450,000 each year -- for EACH person!!

What if both you and your spouse go on claim?

Now, all of the above figures are based on 5% inflation.

There are two types of costs that have risen faster than others -- those are college costs and medical expenses!

And 5% is a pretty reasonable bet over the next few decades. But medical and educational inflation could easily be higher.

Now back to inflation protection and LTC policies.

There are a few different options that one has -- to make the daily or monthly benefit chosen today provide real and meaningful protection when you are LIKELY to go on claim.

The first type of inflation protection is the **OPTION to buy more daily benefits** at given intervals (usually every year or every other year) -- WITHOUT medical questions or examinations. This is the least beneficial for you.

Unfortunately, without the help of an experienced LTC specialist (such as enrolling in a group LTC policy at work) this is a huge mistake that MANY people make.

Simply put, as you get older, you can't afford to buy the bigger increases needed to pay for the future costs of care since the increases get bigger... every year you get older!

So what is cheap in the very short run, quickly becomes the worst and most expensive option! So then you stop buying bigger benefits. Worse yet, many years from now the policy will NOT do the job you bought it for.

The next basic type of inflation protection is called **SIMPLE inflation**. This raises your daily or monthly benefit by 5% of the ORIGINAL benefit amount each year.

For easy math, if you had a \$100 daily benefit to start with, the next year your benefit would go to \$105 per day. The next year it would go to \$110. In 20 years your benefit would double to \$200 per day. Every year the increase would be JUST \$5 more than the year before.

The best type (for most people under age 70) of inflation protection to get is called **COMPOUND Inflation**. This is based on 5% as well -- BUT it is growing by 5% of the LAST years amount. So if you start with the same \$100/ day, the second year it would grow to \$105/day.

The following year it will grow by 5% on the \$105/day. The next year, 5% of that new figure.

It works just like a bank account, the more that is in there, the FASTER it grows. **Instead of the figure of \$200 above for simple inflation, compound inflation would grow to \$265 per day in just 20 years.**

And more importantly, every year beyond that it grows faster and faster. This is the best way for most people to have a meaningful benefit when they go on claim twenty years or more in the future.

Now some companies have slightly different spins on these basic inflation protections. For example, a few insurers have a Compound option as described above, but offer a cheaper alternative as well. On the cheaper option the compounding STOPS growing WHEN the benefit doubles.

I have never recommended this option. There are better ways to structure a policy which will cost less in premiums and actually pay MORE when you go on claim.

Please note that the cost of having inflation protection is BUILT in to your premium. So just because your benefits go up every year to protect against inflation, it does NOT cause your premium to go up every year.

When one selects Compound inflation, there is a pretty cool thing that happens.

NO MATTER how young one is and no matter how many years of premiums they pay to the insurance company, with compound inflation they will get back ALL of the premiums (in terms of benefits paid by the insurance company) in less than a year of claim. That is true if you go on claim in 10 years... or 60 years in the future.

****** Mark's Shopping Tip.** It is pretty rare that my clients do not see the importance of Compound inflation protection and choose this option. If budget is an issue (as it is for most people) I would stick with a short and fat policy WITH compound inflation.

LTC Shopping Tip #7

Before we get started with the consumer tip of the day, let me first say that no matter what... make sure you read the tip I will send tomorrow.

You will be very excited to learn about how to save a lot of money in LTC premiums while getting a GREAT policy design.

But today we will talk about home care and facility care (assisted living and nursing home, etc.) as they relate to LTC planning.

Most people today, if given the choice, would want to stay at home if they needed LTC services such as help in bathing or dressing.

And most LTC policies today, unlike those of 15 years ago, are set up to enable you to do that.

In a Comprehensive policy today, the policy will pay for home care or care in a facility. As discussed earlier though, sometimes there are different EP days for home care (usually fewer days IF there is a difference) than facility care. But usually there is not.

Home care policies usually pay for care given in the home which might include meal preparation, light shopping and housekeeping, driving you to the doctor -- along with help in bathing and dressing, etc.

That is why the amount of money one might spend with home care fluctuates more than with care in a facility. So some days you spend over your daily amount and some days under. You may remember that is why benefits paid on a monthly basis are more flexible than on a daily basis.

In a large part of the country 24/7 home care costs \$300-400 per day, OR MORE!! That's a lot isn't it?

The size of policies that most people buy would pay for 6-10 hours of home care per day if the caregivers or the home healthcare agency is paid \$15-25 per hour. So for most people on claim who stay at home for care, there needs to be other care givers (usually family) who can be there to assist during the other hours of the day.

The insurance paid care giver would do the hardest jobs, but the care needs don't stop when the caregiver goes home for the day. So there needs to be someone there to step in.

However, the beauty of LTC insurance is that, there is money available to pay for care so the rest of the family can have a life. It allows them to give you the care and help that they WANT to give you, without totally changing their life or upsetting their other responsibilities.

Some policies offer the ability to reduce the premiums if you accept a LOWER home care benefit of perhaps 50% of the benefit if you were in a facility. So if you had a policy that paid \$150 per day in an assisted living facility, it would pay just \$75 per day for home care.

But WATCH OUT -- some policies pay an amount for assisted living facilities that is BASED on your home care benefit! That is sneaky!

As to facility care, the policies that are marketed today include assisted living facilities in addition to nursing homes. If you have not visited a new assisted living facility yet, you are missing something. They are nothing like your grandma's nursing home!

Consumer demand and competition are forcing them to be better and better -- adding new amenities, recreations opportunities and services.

You can find some Facility ONLY policies today but there are not as many of these available as a few years ago. If there are no homecare provisions in the policy the premium will be LESS expensive.

Why? Because you will delay and wait until as long as possible to go on claim, if it means leaving your home!

****** Mark's Shopping Tip.** Since we cannot foretell the future 20-40 years from now (when one is likely to go on claim) I like people to think in terms of flexibility.

Typically I say if you cannot afford a policy with equal benefits for home care and facility care, then take a serious look at a policy with at LEAST a 50% home care benefit. At least that might keep you in your own home for a little longer!

The next Shopping Tip will focus on how two people can SHARE a policy PLUS how one can leave a LTC policy to their kids! Great stuff!!

LTC Shopping Tip #8

This is one of the most important tips that you can know and use in your own planning ahead for long term care.

Today we will learn how two people (usually spouses) can make those Short and Fat policies an even better deal. The topics today are Shared and Family policies.

Let me start off writing about shared policies. Most LTC insurance companies offer some sort of spin on this concept -- where two people who live together and share basic living expenses can in some way tie 2 LTC policies together.

The two people could be married, domestic partners, two siblings living together but not 2 family members of two different generations (unless it is a Family policy).

Let us begin by NOT explaining the shared concept and then explain how the shared concept can make 2 policies better. For example, if the husband has a 4 year benefit period and the wife has her own 4 year benefit period.

OK. Now if he dies without ever using any (or all) of his benefit period, his unused benefit period dies with him.

Also, what if he had Alzheimer's and needed care for 9 years? His policy would have been exhausted while his wife had 4 of her own years that she might never use. In the meantime they will have to pay for the next 5 years of care out of their own pocket.

Now let us look at how a shared policy can improve this couple's situation.

If they had shared (or linked) policies. If one spouse dies, ANY (or all) of the unused policy benefits would be left for the wife to be able to use if she ever used up all of her own benefits.

Not only that, but she could have up to the full 8 years -- even though when he died, his premium stopped being due and she just pays for her own four years! So his premiums will not have been wasted.

If the husband had Alzheimer's and needed care after his own 4 years had been used up, he could access his wife's policy. If his claim did last 9 years, they would only have to pay for the final year of care out of pocket.

Now I know what you are thinking. But now... the wife has no policy benefit since he used up all of hers too (it was her option, but not her obligation). Now she has no policy!

But we do not know if she would ever have used it or not. Plus since they did not pay money out of pocket (except for the ninth year) their assets continued to grow. Even at only 5% interest, in 9 years these assets will be 160% larger if not spent on his care during that period.

So having a shared policy (usually through purchasing a special rider) a couple can buy short and fat policies with great confidence that they will probably handle the full or most of the LTC expenses they may have.

The next type of policy is a Family policy, and to my knowledge, only one insurance company offers it. On a Family policy, there can be up to FOUR family members covered under the one policy.

For example, grandma, her daughter and daughter's husband and their child (must be over age 18). All could be covered by the one policy. Assuming grandma passes away first, any unused policy benefits would be "left" to the other 3 family members -- and her portion of the total premium would drop off.

The remaining 3 covered people would share the unused benefits, and as each one passes away, the unused policy benefits are left to the remaining and the premium drops again.

Unlike the Shared policy, the four people (or 2 or more) must be family members or husband and wife. The policy lacks many bells and whistles but offers the MOST potential policy benefits for the premium dollar.

****** Mark's Shopping Tip.** A Shared policy or Family policy can make owning a Short and Fat policy all the better. For my money, the Family policy is the BEST value for families that want great protection for the least premium dollar. Unused benefits can be left to the remaining policy holders.

It is an excellent option, which at the very least, should be considered against other LTC planning options.

The following Shopping Tip will explain some optional LTC policy riders that may be worth considering --- or NOT!

LTC Shopping Tip # 9

This tip will focus on a number of common LTC policy riders (optional policy add-ons) and my opinion of them for general use.

As discussed above, I think that this rider is very worthwhile since you can put 2 Short and Fat LTC policies together and protect against most LTC risks you are likely to face.

There is a charge for this rider (like most every rider) but for my money it is well worth the cost in MOST cases. One of the exceptions can sometimes be when there is a big age difference between the husband and wife.

Inflation riders - to protect your benefit dollars from the effect of inflation has already been discussed as well. You may remember the compound and simple inflation riders. For most readers, the right inflation rider is a MUST!

Another common rider that is available is the **Restoration of Benefits rider**. This rider can be valuable for Short and Fat policies in the following way.

If one is on claim and then FULLY recovers (does not qualify FOR Policy benefits) for a period of 6 months, the policy is restored as if no benefits were ever received.

For example, many people will fully recover from a stroke or accident and no longer need (or qualify for) care. This rider would put back their policy benefits back to the original amount.

For most people, the cost of this rider can be appealing, but keep in mind that many reasons for LTC claims such as Alzheimer's there would be no restoration, since people don't recover from this illness. So they would not get additional benefits.

However, many people DO fully recover from strokes, accidents, etc.

Another popular rider is the **Survivorship Rider**. Generally, this rider works as follows for a husband and wife that both have an LTC policy and choose this rider: If they each have a policy and do NOT have a claim for a period of 10 years and are both still alive and paying premiums, and one of the spouses dies THEREAFTER the surviving spouse's policy becomes FULLY paid up. No more premiums.

Although a nice bell and whistle, the rider is not cheap, but under the right financial circumstances you might want to consider it.

Many people ask about what if I never receive benefits from my policy?

Well many insurance companies have a Rider to address that issue. It is called a **Return of Premium rider**.

There are many various ways these riders are worded, but in general terms, by paying an extra premium and having the policy in force for a period of years (sometimes 10 years), should one die, all of the premiums paid to the insurance company will be returned to the estate LESS any LTC benefits paid out.

This is normally an expensive option (typically adds 35% or more to the premium) and one under most circumstances I do NOT recommend it. Except sometimes in the case of a C-Corp that is paying the premiums (tax-deductible) for the business owner.

However, one top LTC insurer has a policy that built right into the policy is a feature that says if you have the policy for 10 years and then die before the age of 65, all premiums paid would be given back to a policy beneficiary (less any LTC benefits received).

This feature is meant to be attractive to the younger LTC policyholders!

Another common optional rider is one that offers a **No Elimination Period for Home Care** -- which means that for HOME care, one would have first day benefits.

One benefit to AVOID -- is the Non-Forfeiture benefit. I have never recommended this. If it were free, then great, but it is NOT.

This optional rider says that for an additional cost, if you cancel your policy after, say 3 years, you do NOT get your premiums back, BUT they will only apply those paid premiums to a claim if you had one in the future.

So if you paid \$15,000 in premiums during 3 years and then canceled the policy, they would apply the \$15,000 towards your cost of care when you go on claim... 10-30 years from then. At that point, it would not buy much in terms of care.

****** Mark's Shopping Tip.** Many riders can add a lot of value to your LTC policy. But do not get carried away. The most important thing is you have the money to get the care you need, when and where you want it. The rest is all gravy. An experienced LTC pro can guide you to the most benefit rich policy for your budget. Ask for a few quotes with and without the rider(s) that you are interested in. If you are willing to pay the extra for, then... go ahead.

LTC Shopping Tip #10

What is the difference between a Cash policy and a Reimbursement policy?

Most of the best-selling LTC policies today are policies that will reimburse one for their covered LTC expenses after submitting receipts to the insurance company. So there is a slight lag between incurring a covered expense and receiving payment.

However, in most cases, the top insurance companies will set up a direct payment plan (up to the policy limits) with the home health care agency or facility if it looks like one will need care for months or years to make it easier on everyone.

There is an alternative type of policy (and variations) that pays one CASH for every day (or month) that one qualifies for benefits (remember the 2 of the 6 Activities of Daily Living - ADLs or cognitive impairment).

There is only one downside to these Cash policies... which is that they cost you a LOT more! For the SAME benefits as the more popular reimbursement policy, a Cash policy could cost 25-45% more.

That is why more than 85% of the LTC policies bought today from the top LTC insurers are reimbursement policies.

Now some of the Cash policies only pay cash for home care (so your spouse or child would, in effect, get paid to take care of you -- up to the daily/monthly limits). In the facility they work on a reimbursement method.

But frankly, they will be the informal caregiver anyway -- taking care of you for the other 8-18 hours of the day that the paid caregivers are not there, based on the average daily LTC benefit that most people buy.

LTC benefits are not taxed as income on a Qualified LTC reimbursement policy. However, on a cash basis policy, cash in EXCESS of a certain daily figure (\$260 per day in 2007) may be taxed as income -- IF they are greater than the actual paid costs of care.

This \$260 per day is adjusted for inflation, so in most cases there will be NO income tax issues to worry about.

****** Mark's Shopping Tip.** In most cases, one is better off by owning a reimbursement policy to receive the most potential dollars of benefits for your premium cost. Of course, if cash policies did not cost so much more, then that would be the way to go.

However, in some cases, for the wealthy and/or business owners that can fully deduct LTC premiums, a very attractive case could be made for the cash LTC policy. One of my personal LTC policies is a cash policy. I bought it to add to my present disability income policy.

Next time, you will learn some questions to ask your prospective LTC agent to see if he or she REALLY knows their stuff!!

LTC Shopping Tip #11

This shopping tip will be short and to the point – BUT it will be invaluable in helping you select the best insurance agent to help you with selecting the right LTC carrier and policy benefits to meet your care goals and BUDGET.

First let me say that is usually not in your best interest to have the insurance agent that does your home, auto or life insurance to help you with this very specialized product.

You want help and direction from an agent that represents multiple LTC carriers, not just one. If the agent has a business card with an insurance company logo on it, then that is a sign that they already know what company they are going to pitch you on!

You want an agent that is going to work for, not the insurance company they work for.

So here are some questions you want to ask ANY prospective LTC agents:

About the agent themselves:

How long have you been selling LTC insurance?

(Should be at least 5 years)

What percentage of you first year commissions are from new LTC policies?

(should be at least 25-35%)

How many LTC clients do you serve?

(should be at least 100)

How many LTC claims have you helped your clients with?

(should be at least 5-10)

How many LTC insurance companies do you usually recommend?

(should be at least 3-5)

Which ones are they?

(if not the top ones mentioned earlier – why not?)

How many different company quotes will you provide me?

Do YOU own an LTC policy? If not, why not?

(why should they recommend LTC to you if they do not own it)

What benefits did you choose for yourself and why?

(but bear in mind that they are probably in a different financial and life situation than you are)

Do you have the policy schedule page with you to show me? (why not?)

About their knowledge of LTC insurance:

Can you tell me what the Non Forfeiture benefit is?

What does the "stand-by" provision mean as to going on claim?

What percentage of your LTC policy applicants get turned down?

(it should be less than 15%)

Who are the top three LTC insurance carriers in terms of number of policies outstanding?

(John Hancock, Genworth (GE) and MetLife)

How are LTC policies different today than 7-10 years ago?

I think you get the point.

Please do not let an amateur sell you a LTC policy. Chances are they will not be in the industry 5 years from now and in any case, they will not be experienced enough to REALLY help you.

****** Mark's Shopping Tip.** Why would you not want to get help shopping for an LTC policy from an experienced pro? The premiums are exactly the same, so why not get excellence and quality advice?

LTC Shopping Tip #12

Are LTC premiums tax deductible?

Well I always say that a potential tax deduction is NOT the reason to buy LTC protection, but it is nice IF you can get it!

There are a few ways that you might be able to deduct your (and a spouse too) LTC premiums.

First of all, are you self-employed? Do you own a business? If so, is it a sole proprietorship, a partnership, an S-Corp, C-Corp, or an LLC?

If you do fall into one of the above categories, then you are able to deduct you LTC premiums off of your business income by an amount that is capped by your age at the end of the tax year. The deductible amounts rise every year by an inflation factor determined by the IRS.

The income tax deduction CAPs for the tax year of 2007 for people that are between these ages are as follows:

under age 41 -- the cap is \$290

41-50 -- the cap is \$550

51-60 -- the cap is \$1,110

61-70 -- the cap is \$2,950

age 71+ -- the cap is \$3,680

Those figures are PER person, so your spouse would get a tax deduction based on their age too -- even if he/she does NOT work for the business!

SO if your premium is more than those amounts, you can deduct the excess amount of that premium, and do so, ONLY IF your other medical expenses that you paid out-of-pocket are greater than 7.5% of your Adjusted Gross Income.

Now if you happen to own a C-Corp, there are NO dollar limitations based on your age. C-Corp owners can deduct ANY reasonable (in relation to other compensation) amount of LTC premiums.

EmployERs that pay for LTC premiums for their employees DO get a tax deduction for those premiums AND that amount is NOT taxed as income to the employEE.

What if you don't own a business?

There have been many attempts by Congress to pass a law making LTC premiums deductible (like an IRA) for just about everyone. Congress understands that they can either encourage people to buy long term care insurance now with tax deductions or face a bigger crisis 20 years from now!

But for now, unless one has non-reimbursed medical expenses of more than 7.5% of their Adjusted Gross Income, there is no LTC deduction. It is my opinion, and just that, that it will not be too much longer until LTC premiums are tax deductible for everyone. And even if you have already bought protection, you will be able to start deducting all or part of it!

****** Mark's Shopping Tip.** Owning a business or having some self-employment income can give you tons of great tax deductions. LTC insurance would just be another benefit that you can give yourself. But, saving a little money on taxes is NOT the reason to get coverage that will protect your assets and the lifestyle of your family.

Next I'll write about LTC insurance companies, financial ratings, commitment to the LTC industry, etc.

LTC Shopping Tip #13

I will discuss the importance of choosing the right insurance company to cover your potential long term care expenses.

There are some 100 insurance companies that offer at least one LTC insurance product. I am very sure that like myself, you have NEVER heard of most of these companies. And I am in the insurance business!

But I can tell you that approximately 90% of the LTC policies that have ever been bought, are purchased from fewer than 20 of those insurance companies. In fact, about 80% of them were purchased from the top ten LTC insurance companies!

So what do you look for in an LTC insurer?

First of all -- look at their financial ratings. If it were me, I wouldn't settle for anything less than an AM BEST rating of A+ or A++ (which are the 2 top ratings that they give).

Standard and Poors gives companies another rating which I would suggest a minimum rating of AA, AA+ or AAA (their top 3).

Beyond financial ratings, there is another hugely important consideration. That is the insurance companies Commitment to the LTC product line.

There have been a large **number of highly-rated insurance companies that have exited the LTC business**. They include: Travelers, CNA, Transamerica, Allstate, and Fortis.

Most of the LTC customers' policies of those companies have already been or probably will be, sold to another insurance company to service.

I would rather not be in that position, but as a policyholder, one has no choice in the matter. However, the policy benefits and provisions do not change whatsoever.

When you are thinking of an LTC carrier that you want to trust with your policy, I think it is important to choose one of the top 5 LTC insurers - as they are much more likely to stay in the business. Remember that you probably will not need the policy for 20-30 YEARS!

****** Mark's Shopping Tip.** Unless there is some reason to do otherwise (such as health issues) I usually recommend getting LTC coverage from one of the top LTC insurance companies and one with at least A+ (AM Best) ratings.

LTC Shopping Tip #14

What about the **non-traditional Long Term Care policies?**

Here is what I mean by that! Insurance products that do NOT offer stand-alone LTC protection, but in do so in conjunction with some other type of insurance product. The two most common types are life insurance based or annuity based.

In my humble opinion, these products have their merits but cannot replace a great stand-alone LTC product for most people.

They are like a toaster oven/television combo unit that offers both functions. It CAN do both of them, but not as well or as cheaply as two stand-alone appliances.

In general terms, a life insurance/LTC combo sounds great. If I die, my beneficiaries get the face amount death benefit and if I need LTC services, I can REDUCE the death benefit by some pre-determined amount of my daily/monthly LTC costs.

So for example, if I bought a death benefit of \$500,000 and I had the LTC rider that allowed me to access the death benefit by an amount of 4% per month, here is how it might work.

Should I need LTC services (same qualifications as what you learned earlier), I could get up to \$20,000 per month (4% of \$500,000) for LTC care in your home or in a facility.

Sounds pretty good, but at the maximum benefit, I would completely draw down my death benefit in ONLY 20 months. That's less than 2 years. So if your spouse (or heirs) really needed the death benefit it would be all gone (except for a typical 10% or \$50,000 safety net of residual death benefit (\$50,000 in this case)).

And you might be thinking that \$20,000 (in this case) sounds pretty high. But it would only equal about \$5,000 per month in today's dollars in less than 30 years (assuming 5% LTC inflation).

So if you are less than 60 years old, the benefit would not buy much if you went on claim in your late 80's or early 90's!

The other downside is that the life policy will be more expensive than just a normal life policy without the LTC rider.

There is another life insurance based product that says deposit "X" amount of money with them today and you get an immediate death benefit amount right now. If you die before you need LTC, your heirs get the death benefit.

But if you need care, your death benefit is reduced as above. But if you need more care than the death benefit amount would pay, there is a second "bucket" of money which is EQUAL to the death benefit amount that can ONLY be received (accessed) after the death benefit is used up for LTC services. Once that second bucket is gone, there is only a residual death benefit (10% of the original amount).

Annuity-based LTC plans basically use your money (that you bought the annuity with) to be the first money to be spent on your LTC needs, according to a formula set in the policy. Once that money is spent for LTC expenses, the insurance company will pay out more money (according to their formula) from THEIR pocket to pay for your care.

****** Mark's Shopping Tip.** The bottom line is that combo products can be better than nothing but are not as efficient as a stand-alone LTC policy that is designed to offer you the care you need, when you need it -- without effecting your other assets or death benefits that your beneficiaries may be counting on!

I do sometimes recommend a life insurance or annuity based LTC rider. It ALL depends on the client's personal goals and desires as well as their complete financial situation.

LTC Shopping Tip #15

Now I will write about why many of those people who are wealthy (net worth of \$3 million or more) should still consider buying LTC protection.

On the face of it, it would seem that these folks could self-insure, especially those with more than \$5 million. And you know what - they probably could.

But below, I will discuss a number of reasons why these fortunate few, buy LTC coverage.

One of the first questions I ask these potential clients is if their primary home is paid off? It usually is. Then I ask if they have their home insured against fire, hurricane, etc.? They do not hesitate, saying -- OF COURSE!

Now these people typically have the financial resources to fully replace their home, should it burn in a fire or be blown away in a tornado. But I have yet to meet someone that despite being able to write a check to replace their home, that foregoes homeowners insurance.

Even though they are NOT required to have it, since there is no mortgage on the property.

Now the risk of losing their home to fire, storm etc. is pretty low. So if they are unwilling to take that financial risk, why would they even consider taking on the risk of one of the couple needing long term care and the correspondent financial costs of this type of care?

When they stop and think about it, they realize that the risk of one or both of them needing care in the future is 25-30 times greater than the risk of losing their home to some disaster. And there are some very practical reasons to plan ahead with LTC insurance as well.

One of those is saving taxes! You see if the wealthy sell a stock or piece of real estate to pay for care costs, they will have to pay a tax on the gain.

Today the rate for long term capital gains is very low (no more than 15% plus any state tax). But if insurance paid for the care and they could keep the asset until death, they would AVOID the capital gains tax altogether!

For example, if they had property they bought at \$100,000 years ago, that is now worth \$500,000 and had to sell it to pay for LTC expenses they would owe capital gains taxes on the \$400,000 profit.

At 15% (current long term capital gains rate which will likely go higher) that is \$60,000 (plus any state income tax). So you can pay the taxman or the insurance company since \$60,000 is a lot of years of premiums!

Also, by having LTC insurance to pay for these types of costs, one has much more planning flexibility for estate planning, charitable and family giving!

Why? Because the huge potential costs of long term care is a big reason that older people, who should be doing estate planning, hesitate this planning (gifting) because they worry THEY will need the funds for care down the road.

But if they had LTC coverage in place, they would not have that worry and could do the necessary planning without worry!

In my experience, the wealthy have learned how to shift major financial risks from their net worth to third parties (insurance companies) for pennies on the dollar.

****** Mark's Shopping Tip.** Yes, the wealthy can self-insure but they would be very wise to explore their options and financial flexibility by using LTC insurance. Perhaps look into life insurance based LTC planning as well.

In fact, most of these people own a business or could easily have self-employment income, which would mean they would even be able to DEDUCT some or all of their LTC premiums off of their income and reduce taxes today!

LTC Shopping Tip #16

Here is some more information about long term care (LTC) insurance policies that I didn't get to cover before.

Since I think that it is important for you to keep up to date on the LTC insurance industry and have the latest policy information, I'd like to continue giving you this free information.

One of the benefits included in most LTC policies is something called "**Waiver of Premium**".

Waiver of Premium (WP) works something like this. Once you start receiving benefits from your LTC policy, your premiums are waived.

That is right. Once you begin to get your LTC benefits, you do not make premium payments to the insurance company for as long as they are paying out on your claim.

If you pay your premiums on an annual basis, they will even send you a pro-rata refund while on WP.

That is pretty cool, isn't it?

Now should you recover from a stroke or accident and no longer qualify for benefits, your premiums will start up again. But you will NOT have to pay back premiums, you'll just pick back up again.

Please note that some policies only have a WP while you are in a facility as a standard provision of the policy and have an optional rider (for an extra charge) to get WP for home care.

****** Mark's Shopping Tip.** Most of the better LTC policies out there include WP for care anywhere -- in your home or in a facility. I certainly recommend having this flexibility.

LTC Shopping Tip #17

Here is another provision of most LTC policies that I haven't had an opportunity to write about yet.

It is called "**Bed Reservation**".

The better LTC policies have this standard benefit: that when one who is on claim and staying in a facility (either an assisted living or a nursing home), has to or wants to temporarily leave the facility for some reason.

Perhaps they want to spend time around the holidays with family. Perhaps they need to go to the hospital for a week or two.

You see, if you leave the facility for whatever reason, the facility still wants to get paid - because they can't put anyone else in your room while you are away for a little bit.

Well the LTC policies that I feel comfortable recommending allow a period of time (usually 21-60 days per calendar year) for you to be somewhere else, but the insurance company will still pay the facility - even though you are not there!

Each calendar year you get a new set of Bed Reservation days (although they cannot be carried over from one year to the next).

So you do not have to pay the facility out-of-your pocket, when you are staying with family or gone for some other reason.

****** Mark Jeffrey Shopping Tip.** Most of the better LTC policies out there include Bed Reservation BUT some ONLY apply if you are in a hospital -- so ask questions! I've had many clients on claim and Bed Reservation was another great benefit of the policy.

LTC Insurance is "in the news"... again!

I thought you might find this news item interesting.

On September 25, 2006, the U.s. Dept. of Health and Human Resources (HHS) announce plans for the Phase III rollout of the "Own Your Future" LTC campaign in 6 states -- Georgia, Massachusetts, Michigan, Nebraska, South Dakota and Texas.

The campaign is an education and outreach effort designed to increase consumer awareness and PROMOTE long-term care planning among state residents.

Governors of the 6 states will send out letters to all households containing residents age 45-65, promoting planning ahead for long term care and encouraging them to order a free Long Term Care Planning Kit.

The Kit includes:

- 1) information about Medicare and Medicaid benefits
- 2) outlines ways to plan ahead for these potential expenses
- 3) provides guidance on how to assess insurance options

All told, these letters are expected to reach 5.8 million households over the next year.

I thought you might find it interesting that the government is continuing to promote the idea of learning your options and planning ahead. It really is important!

As I mentioned before, neither the federal government nor the states can afford to pay for long term care for the masses of our population. The money just isn't there.

By planning your own LTC solution, you can be in control of your care and not worry about spending your own hard earned assets to pay for elder care.

Just a thought...

Here is another indication that the government REALLY wants us to plan ahead for potential long term care expenses.

Starting in 2007, a new law permits retired public safety officers to take up to \$3,000 a year (all TAX-FREE) out of their government retirement plan to pay for long term care insurance premiums.

A public safety officer is a law enforcement officer, firefighter, chaplain or a member of a rescue squad or ambulance crew who works for a public agency.

In order to be tax-free withdrawals, the LTC premiums must be for the plan participant, his/her spouse or dependant.

The retirement plan MUST pay the insurance company directly as individuals cannot receive reimbursements for having paid the premiums on their own.

Some Questions Answered

I keep getting questions by email from others who are getting these messages, asking me about something that I hadn't written about yet, or wanting more in-depth explanations on a previous topic.

A question I just received was about the "Respite Care" benefit that they had heard about. They wanted to know more about it.

In the earlier edition of the Report, I wrote only about some of the major benefits or features of most LTC policies. But I left out "respite care".

Simply put, the respite care benefit provides short-term temporary care to relieve the primary (unpaid caregiver -- usually the spouse or child) from his/her duties.

LTC policies generally give 14-30 days for each calendar year of respite care benefits. It usually works out to extra daily benefits, above and beyond the normal amounts to pay someone else to be the unpaid primary caregiver during that time.

This gives the family member a break to vacation, visit family, get over the flu, etc.

The better policies do NOT count this benefit against the pool of money available for LTC services nor is the benefit usually subject to the Elimination Period (deductible).

****** Mark's Shopping Tip.** The number of respite care "days" in an LTC policy is not a reason to choose one over another -- but certainly 21 days is better than 14!

A Smart Financial Tips subscriber emailed me a question about LTC tax deductions which was as follows:

"Dear Mark

I understand about deducting LTC premiums on my federal tax return after reading one of your previous tips, but can LTC premiums be deducted on State income tax returns?"

Donna G. Houston, TX

Well Donna, unfortunately Texas is not one of the states that currently offer any deductibility for LTC premiums. But about 35 states do offer either tax deductions OR tax credits for LTC premiums.

My state (Georgia) offers the same deductibility as afforded on my federal tax return. In Colorado, single taxpayers with taxable income of less than \$50,000 (\$100,000 for joint returns) can get up to a \$150 CREDIT against their state income tax by having an LTC policy.

That means if one owes the state \$500, they would only have to pay \$350 due to the credit!

New York, North Dakota, Oregon and Virginia have tax CREDIT LTC programs as well. But the other states usually offer some type of tax deduction instead of a credit.

Why do states offer a tax incentive to buy LTC insurance?

Because they are "forward thinking"! They realize that it is much better to sacrifice some tax revenue now, than pay Medicaid benefits for nursing homes in the future. And you know what?

That is smart planning!

Tax incentives are NOT the reason to own LTC coverage, but it sure is nice "icing on the cake".

****** Mark's Shopping Tip.** Don't forget to speak with your tax preparer and find out if you have some type of tax incentive for either the federal or state tax returns. Why not let the government help you "pay" for your LTC protection if it is applicable?

Bill from Houston Texas emailed me this question:

"Don't most people die without needing to get LTC services? Unless either my wife or I live for a long, long time we could probably pay for care out of our assets"

Well Bill, here are a few things to think about when considering if owning LTC coverage would make sense for the two of you.

You didn't say how old each of you are, but here a few facts to consider in the odds of living a long time.

** A 65 year old woman has a 19% chance of living to age 95 (one out of five ladies). In fact there is a 5% chance of her living to age 100!!

** If both people in a marriage reach age 65, there is a 28% chance (nearly 1 out of 3) of one of them living to age 95!

So a long life is a near certainty and planning for it is a necessity. When you live, you get old. When you get old, you generally get sick. When you get sick, you are probably going to need help.

That "help" is LTC services.

As we live longer the odds of either our spouse or ourselves will live a long time and more likely need care.

And the longer you live, the bigger the monthly expense (due to inflation) will be for LTC care - whether one gets care at home or somewhere else. Most retirees might be able to handle LTC expenses today for a few years without spending down all of their money.

But when they start taking income from their investments to fund their retirement, their assets generally stop growing very fast.

But a well designed LTC policy never stops growing!

Here is another question of one of my loyal readers:

John asks, "I am just 48 years old and wondering if I am too young to consider buying long term care insurance. What do you think and do you have any statistics on the subject?"

Well John, I have a recent study to give you an answer. One of the larger insurers in the "group" market for big businesses is a company called UnumProvident. This company recently reported that 58% of their LTC claims in 2006 were from those policyholders aged under 65.

Their study showed that in 2006, the average age of their LTC claim was 53 and more than 15% of those were younger than 45.

That even surprised me!

More than 66% of their claims (of those under age 65) were for home care. Only 17% received care in a nursing home.

You might find it interesting to know the top causes of claims for the under 65's.

The top claim triggers for this group was cancer (31%) and stroke 11%. Dementia, neurological and MS were about 5% each.

Studies show that nearly half of us will need LTC services at some point in our life. We don't know if, when or for how long.

Insurance is best used when the financial risk is large and the likelihood of the risk is average. The younger one is the less likely that they could pay for LTC out of their own pocket.

The younger you are the more likely that sometime in the future (probably later rather than sooner but you never know) that you will need LTC. By purchasing now your premiums will be less than if you wait AND your benefits will be MUCH larger (due to the compounding),

However, LTC premiums should NOT be a part of your financial plan if you can't afford to save money for your retirement (like a 401K). It should only be when your other financial issues have been dealt with.

****** Mark's Shopping Tip.** The bottom line is that surprisingly a substantial number of people who need LTC services are under age 65 -- when they have little savings to pay for the care without depleting their retirement accounts. If one can afford coverage (and it is least expensive when one is young and healthy) it makes good sense.

"Dear Mark

Does one need perfect health in order to get an LTC policy?"

Doug Muncie, Indiana

Well Doug, the short answer is no you don't need to be in perfect health. Each insurance company looks at different medical issues in its own way.

For example, some insurers will look at insulin diabetics who take no more than 50 units of insulin a day. Others will look at those who use more insulin as long as they have "good" blood-sugar control.

Some companies look more at a combination of medical issues such as high blood pressure combined with smoking in determining insurability.

And you should also know that insurance companies change their underwriting criteria fairly often. This doesn't affect current policyholders, but it does apply to those who are requesting LTC coverage.

The bottom line is this -- an experienced LTC agent that works with a number of the top LTC insurers is your best bet. They know which insurance companies are leery of which medical issues.

Although they cannot guarantee anyone will be accepted by the insurance company, they are the first line in the process.

Why is that important? Because if you apply with a company that turns your application down, a number of the top companies will NOT even want your application -- even if they otherwise might have accepted you.

So back to Long Term Care...

Depending upon where you live, LTC costs can range from \$30,000 to well over \$100,000 per YEAR. See right below for some very interesting NEW facts just released.

These costs continue to escalate at an imposing rate like most medical expenses. In fact, LTC costs are expected to DOUBLE in 12-14 years. If the trend continues and doesn't get worse, they would DOUBLE again in another 14 years or so.

That means in 25-30 years, costs for taking care of those who can't care for themselves would be \$120,000 - \$400,000 per YEAR! What would even a 2 or 3 year need for care do to most people's savings at that point?

So what role might Long Term Care insurance play?

Newly Released Facts:

In 2006 alone, insurance companies PAID OUT \$3.3 BILLION dollars in claims for long term care expenses from roughly 300,000 policyholders who qualified for benefits. Who says that LTC insurance is a waste of money?

Those are real dollars paid out to real families for home care (34%) assisted living ((36%) or nursing home (30%).

Who would have guessed the figures would have been that high for just ONE year alone?

Why so much for nursing home? Well, most policies bought in the mid 1990's (and before) only covered nursing home care. Home care or assisted living facilities were not typical options then.

Today, nearly all good LTC policies feature great home care benefits too. And one more very interesting fact is this. The **average duration BETWEEN the time the policy was bought and a claim filed was just seven and a half years!**

Consider this. Is there anything other expense, other than a potential LTC need, that most people haven't ALREADY insured against? I can't think of any! Certainly not one that will so likely to hit millions of people over the next 20-40 years.

Your next step...

Now that you know about the most important planning strategies and tips in making plans for potential LTC expenses, the next step is to decide if you want to explore LTC insurance for yourself.

You will want to first find out if your health (current and past) will even enable you to get coverage from a great carrier. Then you will probably want to see what your premiums would be: based on your present age, health history, “marital” status, and of course benefit options.

You will probably want to investigate traditional LTC coverage first and then possible how using life insurance or annuities might compare.

One of the best reasons to use my LTC services is that I am among the few hundred select insurance agents in the country to be able to offer you extra potential discounts.

How can we do this?

Because we have a very special arrangement with a number of groups and associations that when LTC insurance is bought through us (limited to certain insurance carriers per the group or association's agreement) there is an additional 5% group discount for as long as you pay premiums.

This could easily add up to thousands of dollars of savings over the life of your LTC policy. That is money that stays in your bank account and doesn't go to some insurance company.

I am prohibited from listing all of the groups and associations that we are associated with here. But I will note the American Medical Association and the American Bar Association members are able to participate. There are also dozens and dozens of university alumni associations that our group of LTC agents can offer these discounts to certain top carriers as well.

Having these organizations endorse not only the specific insurance carriers but also our special group of independent LTC insurance agents is a big deal. And you cannot go to the alumni association or group and get this discount directly. It is ONLY offered through our organization.

Of course, there is no cost involved to use my LTC planning services – only potential discounts and savings. My expertise and advice are free.

Long term care insurance is bought for peace of mind and for love of your family. Period.

In any case, I truly hope that you learned a lot from this report. But having the knowledge by itself, will not protect your savings or your family's lifestyle. It will not provide peace of mind.

Only once you have fully explored your options to take protective measures and making a decision after weighing the benefits of some type of long term care coverage verses the costs.

Then you will have made a decision based on full information on the facts as they relate to your own personal financial circumstances – along with your own goals and desires for your life and that of your family (wanting to help them, help you -- without being a burden).

If you would like to take the next step in this process, with no obligation... please complete the short form at the end of this Report and email it to me. I will then call you to discuss your options and start looking at potential costs.

With best regards and wishes... Mark

Mark J. Orr, CFP

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FREE LTC Plan Design and Quote Request

Name _____ Date of birth _____

Are you taking any prescriptions? If so, which ones and for what medical conditions?

Any surgeries or hospitalizations in the last 10 years? Is so, please describe very briefly _____

Spouses Name _____ (or living with which relative or significant other)

Date of birth _____

Are you taking any prescriptions? If so, which ones and for what medical conditions?

Any surgeries or hospitalizations in the last 10 years? Is so, please describe very briefly _____

Alumni of which University(s) _____

Street Address _____

City _____ State _____ Zip Code _____

Best phone number to call _____ Best times to call _____

Why are you interested in planning ahead for LTC expenses? _____
