

Abstract: Unfortunately, many people require long-term care at some point in their lives. To hedge against this considerable financial risk, insurers offer long-term care coverage. This article asks a couple of important questions about these policies, including how to determine whether you really need one and when to buy.

Asking the right questions about long-term care insurance

Like most people, as you age into your 40s and 50s, you may wonder what the future holds for your health and well-being. Will you be as sharp mentally and robust physically as you are right now? Could a serious medical condition arise in your future that might prevent you from performing routine daily tasks?

Unfortunately, many of us require long-term care (LTC) at some point in our lives. To hedge against this considerable financial risk, insurers offer LTC coverage.

Do you really need it?

LTC insurance policies help pay for the cost of long-term nursing care or assistance with activities of daily living (ADLs), such as eating or bathing. Many policies cover care provided in the home, an assisted living facility or a nursing home, though some restrict coverage to only licensed facilities. Without this coverage, you'd likely need to pay these bills out of pocket.

Medicare or health insurance generally covers such expenses only if they're temporary — that is, during a period over which you're continuing to improve, such as recovering from surgery or a stroke. Once you've plateaued and are unlikely to improve further, health insurance or Medicare coverage typically ends.

That's when LTC insurance may take over. But you need to balance the value of LTC insurance benefits with the cost of premiums, which can run several thousand dollars annually (though a portion may be tax deductible). Depending on your income and net worth, as well as your personal and family health history, LTC insurance may not be a worthwhile investment.

Should you buy now or later?

The younger you are when you buy a policy, the lower the premiums typically will be. And, the chance of being declined for a policy increases with age. Certain health conditions, such as Parkinson's disease, can also make it more difficult, or impossible, for you to obtain an LTC policy. If you can still get coverage, it likely will be much more expensive.

So buying earlier in life may make sense. But, keep in mind you'll potentially be paying premiums over a much longer period. You can often trim premium costs by choosing a longer elimination period or a shorter benefit period.

The elimination period is the amount of time between the start of the benefit trigger and the time that the policy begins paying benefits. This can range from 30 days to several months. Premium costs decrease as the elimination period increases.

Meanwhile, the benefit period is the period of time over which the policy pays for care. This can range from a year or two to an unlimited amount of time.

Boon or bust

Buying LTC insurance can be a boon or a bust. You should consider contacting our firm before making the purchase. We can help you determine whether LTC insurance is right for your situation and, if so, when to buy and the appropriate amount of coverage.

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