

The Annual Financial Review and Long Term Care Planning

For many Advisors the client's annual financial review does not include the subject of planning for long-term health care, but it should. Your clients need to be made aware of the cost of care as well as the consequences to their family when care is needed. The consequences to the family are as serious as the devastation that occurs financially to the retirement portfolio.

A discussion regarding the cost of care, currently over \$70,000 a year and likely to double in the next decade, is not the worst risk a client faces.

The consequences to the client's family that results when a family member needs care is as difficult a problem to handle as the financial crisis. Family members will become care-givers and the physical and emotional stresses involved will take their toll on the family. It has been shown that taking care of a chronically ill person can make a healthy person chronically ill.

Planners and Advisors must factor the long-term care expense into the retirement models predicting how long portfolios will last.

We've all heard the phrase, "The only thing worse than dying is outliving your money". We can all agree on that. One thing that can effectively destroy even a well thought out retirement portfolio is the cost that results when a person needs care.

As our life spans increase so does the possibility that care will be needed. The older we get the greater the chances of needing care.

Most "Baby Boomers" anticipate living a long life. Most want to continue to live independently in the community in their own home. A recent survey found that 50% of Boomers said they would rather die than reside in a nursing home. And many are misinformed as to who pays for long-term care. AHIP's* survey of Boomers showed that many mistakenly believe Medicare pays the expense of long-term care.

This strong desire for independence and control should be a focal point in the LTC planning discussion. Having long-term care insurance allows for choices and provides for the funding for the expense of home health care.

Boomers also have a strong sense of leaving the world a better place for their children and grand children. Leaving the family with long-term care bills for their heirs to pay is avoidable with proper planning.

With the planning in place your clients can continue to live in the community, be independent and in control. Today's policies offer payment for home and community care expense and there are benefits in the policy designed to keep the insured in their home allowing them to avoid the nursing home.

A key to having an effective discussion regarding LTC planning is to reinforce their biggest concerns about retirement, being a burden on their children and losing their control and independence by outliving their money. All can be addressed with proper long-term care insurance planning.

In Conclusion:

A discussion with you clients about planning for care, including current and future costs along with the emotional and physical crisis the family will face must be part of retirement planning. If the client rejects planning for care, the discussion must be documented, dated and signed by the client. A copy of the "Waiver of Coverage" document needs to be kept in your client files.

Failure to have this discussion and the signed documents waiving coverage has lead to professional liability lawsuits against Advisors and Planners filed by family members in an attempt to recover lost assets. If a client, without proper planning, has an event requiring care and their retirement savings and portfolio are tapped to pay for care, (where else would the money come from), family members including children and grandchildren have sued the Advisor for not offering and employing proper insurance planning for long term health care expense. Having a signed and dated document may not protect you from a law suit but it will provide evidence that the topic was discussed and the client declined your offer to put a plan in place.

For information, LTCi quotes and assistance with long-term care planning, contact John Mitchell, CLTC, Brokerage Director, at 866-811-5234

* America's Health Insurance Plans press release, Nov. 5, 2007.