

Long-term care insurance: Who should buy it?

BY MARK KIRBY
SPECIAL WRITER

How many products have you bought that you would rather die than have to use? Long-term care insurance, the fastest growing segment of the insurance industry, is just such a product. There are few things more dreadful than the thought of losing the capacity to take care of yourself.

Long-term care is one of the largest financial risks Americans face. It doesn't just affect the elderly; accidents, illness and injuries take their toll on younger generations. We all know the plight of Red Wings star Vladimir Kostaninovic or "Superman" Christopher Reeve.

Few of us want to give our life savings to a nursing home. Yet, this expense remains the leading cause of personal destitution in America.

History
Prior to 1974 we couldn't insure against the risk of long-term care. You could buy "skilled care only" policies that would pay for a recovery period, but health insurance and Medicare already did that.

Statistics can be manipulated to anyone's advantage, but the underlying fact is we have a huge problem. Medicaid - medical welfare - is currently the only

government-funded program that will pay for most long-term care expenses. However, you must be broke to access the program.

Transferring assets to family members to qualify is forbidden by long "look back" periods. Yet the program is severely overburdened and looking for ways to cut back even further. Recently, there has been talk in Washington of making a premium a full tax deduction rather than the current medical tax deduction, but so far only talk.

Decisions
If long-term care is such a problem then insurance is the only good answer, right? It's not that simple. There are many considerations before this insurance becomes a good solution.

First, you must come to grips with the idea that you could become incapacitated and dependent upon others. Second, you must prove you're in reasonable good health when you apply for coverage. You may be a poor risk for an insurance company, and they may refuse to insure you.

Also, the cost of long-term insurance is high, usually ranging from \$1,200 to \$2,400 per year. Prices are based upon several factors, including age, health, amount of coverage, policy features, joint application with spouse, and the company you choose. Ultimately, you



purchase insurance for one reason: peace of mind. You don't want someone else to pay for your catastrophe.

A good agent can help you with your decision. He or she knows the differences between the many policies offered. An agent should knowledgeable about the following features and options:

- **Inflation protection** automatically increases the value of the policy without escalating the premium.
- **Elimination period** will reduce the premium but force you to pay for care at the beginning of your stay (typically 30-100 days).
- **Survivorship** will waive premi-

ums for the lifetime of a surviving spouse.

■ **Waiver of premium** will halt payments while in a claim.

■ **Tax-qualified or non-qualified programs** may have significant income tax consequences.

■ **Alternate plan of care** will pay for things not specifically mentioned in the policy.

■ **Bed reservation benefit** pays for your empty accommodations if you're absent due to hospitalization or family visits.

■ **Restoration of benefits** will restore your plan to its original value if you sue part of it and then recover.

■ **Non-forfeiture** will pay a reduced benefit if you lapse your policy and then subsequently end up in long-term care.

Good policy
A good policy will cover any incapacitation without restricting any mental or nervous disorder. It will also pay equally for any setting you choose, from home care to assisted living, nursing homes, adult daycare or hospice.

If you purchase insurance then think you've made a mistake, you'll have ample time to rectify. The state of Michigan requires all companies to allow a 90-day "free look" period in which to cancel coverage. Also, most good companies will allow additional time to modify your coverage if you want to increase or decrease.

By applying for coverage, you are simply agreeing to do SOMETHING about the potentially devastating risk of long-term care. What you end up choosing may be substantially different from what you originally applied.

If you think you should look into this coverage, there isn't a good reason to wait. The policies get costlier as you age, the cost of care continues to rise, and your eligibility may be compromised by future poor health.

Mark Kirby is a long-term care specialist with GE Financial America. He may be reached at his Livonia office at (734) 462-4960.

Outstanding women

The Michigan Business and Professional Association seeks nominations of Michigan women to honor with its Distinguished Leadership Award, which will be presented at MBPA's fifth annual Women and Leadership in the Workplace Conference April 11, 2001 at Burton Manor in Livonia.

Categories for nominees include: business, professional, human service/philanthropic, media, civic affairs/government, education and small-business achievement. Award criteria includes significant achievements in their professional field, recognition by their peers, and contributions to the advancement of issues related to women in the business world.

To nominate a recipient, call MBPA at (810) 979-8322 and

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request an award nomination form. Nominations must be submitted by Thursday, Feb. 15.

Top distributor

Livonia-based RS Electronics has been ranked among the top 25 electronics distributors in North America by Cahners Research, as published in Electronic News in December. The company was ranked 24th, marking the first time the privately held company has broken into the top 25. The company expects to post sales of \$84 million in 2000 compared with annual sales of \$73.8 million in 1999.

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Individuals interested in learning more about Cranbrook may attend the training course for the \$35 cost of joining the Cranbrook House and Gardens Auxiliary. For an application or information, call Mary Ann Krygger at 248 645-3149.

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