



The Beginner's Guide to

LONG-TERM CARE PLANNING

Keep your family's finances standing strong

intro

When you think about “extended care” or “long-term care,” what comes to mind? You might think about wasting away in a nursing home, isolated from friends and family, with no hope of improvement in the quality of your life.

That grim image tends to be our immediate association with long-term care, which is one reason why we don’t want to think about or prepare for what will happen to us or our families if we become unable to take care of ourselves.

Most people getting extended care never end up in a nursing home!

We’re here **TO CHANGE** the **long-term care** **CONVERSATION.**

We’re here to help you take an active role in protecting your legacy and ensure the financial security of your loved ones.

SOURCE NOTE: Material for this ebook is adapted from our ebook, *The Advisor’s Guide to Long-Term Care Conversations and Solutions: How to talk to clients about extended care, create meaningful care plans, and increase your profitability* and the CLTC® Master Class Course Textbook, v.10, June 2016.

**A long-term care plan gives you the
FREEDOM and PEACE OF MIND
you need to continue to lead a
happy, healthy life.**

When you finish reading this ebook, you'll be able to do the following things:



Use knowledge about long-term care principles to protect your loved ones when you are no longer able to care for yourself.



Replace any old, negative ideas that you have about long-term care with empowering beliefs about the freedom and peace of mind that a long-term care plan gives you.



Work with the right long-term care professional—someone who will help you navigate the complexities of LTC, and put together a plan that offers your loved ones the best protection possible.



Long-Term Care Definitions and Misconceptions

“Extended care” is assistance that a person needs because he or she has a long-term care impairment. We often refer to this as extended care, not long-term care, because the term “long-term care” carries many misconceptions, including a negative assumption to think only of nursing homes.



Extended care breaks down into two types.

It all begins with impairment. When people become mentally or physically compromised, they need extended care. **There are two types of impairments:**

ACUTE IMPAIRMENT	CHRONIC IMPAIRMENT
<p>An acute impairment is a sudden event (ex. heart attack, aneurysm, broken hip, stroke, serious injury) that requires immediate medical attention under a plan of care created by a physician and executed by a skilled medical and nursing staff.</p> <p>It is assumed that people with acute impairments will make a full recovery and thus, do not always require extended care.</p>	<p>Chronic impairments are ongoing limitations caused by accident, illness, or just the frailty of aging; they can be physical, cognitive, or both. While not necessarily totally disabling, a person's compromised safety requires extended care.</p> <p>Physically impaired people require help with Activities of Daily Living (ADLs include transferring, bathing, eating, toileting, and dressing). This help can be direct, "hands-on" help, or simply "stand-by" help to keep you safe.</p> <p>Cognitively-impaired "patients, such as those with Alzheimer's, dementia or a head injury, have a measurable loss of intellectual capacity (ex. short- or long-term memory, time/person/place orientation, sound judgment or decision-making ability). When it compromises your ability to interact safely with others and with your environment you need supervision.</p>



When you're impaired, there are two levels of care available depending on the impairment and its severity:

SKILLED MEDICAL CARE	CUSTODIAL CARE
<p>Extended care rarely requires skilled medical care, services that are so inherently complex that they can only be provided by a physician or under a plan of care created by a physician and executed by a skilled nursing staff or other licensed professionals.</p> <p>Examples of skilled care include inpatient hospitalization, surgery, and formal rehabilitative services.</p>	<p>Custodial care, on the other hand, is what extended care is all about. Custodial, or non-skilled services are given in various settings, especially the home, which most people prefer, and include physical assistance with ADLs or supervision of a cognitively impaired person.</p> <p>Custodial care consists of direct personal-care assistance to help the person safely get through her daily routine and also includes homemaking services, such as cooking and cleaning the house, laundry, etc.</p>

Custodial care can be provided either **formally**, by paid professionals, or **informally**, by family or friends with no particular training in health care.

Why is all of this important for you to know?

Extended care is complex and affects more people than just you.

INFORMAL CUSTODIAL CARE

Informal care is care given by a spouse, partner, family members, or friends. "Informal care" is typically unpaid, but it's not without cost. Informal caregiving requires time off work, away from other loved ones, loss of sleep, and near-constant attention. The emotional and physical stress of caregiving is an immeasurable cost.

FORMAL CUSTODIAL CARE

Formal care refers to "professional" custodial care, given by anyone who is paid to provide cognitive supervision or physical ADL help and other chores in homes or in residential care facilities. Professional providers of extended care services include home care agencies, individual aides, transport staff, adult day care centers, assisted living facilities, CCRCs, and nursing homes.

Extended care is not a place or a condition. It is a life-changing event. We don't say that to scare you; we say it to empower you with the knowledge that the need for extended care (and an extended care plan) is critical for your security and the security of your loved ones.

Now that you know the main terms that are used in extended care discussions, let's dive into the specifics of why extended care is crucial...and what happens when you don't have a care plan in place.

Long-term care isn't just nursing homes anymore. There are many extended care options available, whether you'd prefer to stay at home or receive care in a facility. Here are just some of the options you can consider:

• **Homecare**

- Home care aides/personal-care attendants
- Homemakers
- Adult Day Care for respite and socialization
- Senior Centers
- Hospice and skilled care when needed

• **Assisted-Living Facilities (ALFs)**

• **Continuing Care Retirement Communities (CCRCs)**

• **Nursing Home Care**, provided in a skilled-nursing facility (SNFs)

“ **Extended care is not a place or a condition. It is a life-changing event.** ”

CHAPTER 1 REVIEW:

- A need for extended care often begins with an **acute impairment** (sudden event that requires immediate attention) or the slow onset of a **chronic impairment** (conditions like arthritis or Alzheimer's that require ongoing physical help or supervision).
- Depending on the impairment, you may require full or part-time **custodial**, or nonskilled care, which can be administered formally by professionals, or informally by friends, or family, to keep you safe as well as provide cooking, cleaning, transportation, and other personal assistance.
- **Extended care can be provided in many settings:** at home with formal and informal caregivers or in a variety of facilities that provide daily residential care.

Impact of Extended Care



We can't emphasize this enough. Extended care not only changes your life completely, but also and more importantly, the lives of your loved ones who have no choice but to provide care if you don't have the right care plan in place.

Let's take a look at the **personal consequences** of extended care, i.e. the extreme toll the impairment takes on the physical and emotional wellbeing of your **loved ones**, who will care for you. Yes, your life is different now, but for unpaid family members providing care, **life is completely disrupted**.

A lot of Americans provide **unpaid care** to loved ones and pay an incredibly high price in the quality of their own lives as a result. Many give up promotions, take unpaid leave, give up work entirely, move their home, and effectively **dismantle their own lives** to provide care.

Check out these sobering facts:

- **40% to 70%** of caregivers struggle with **depression** particularly those who look after cognitively-impaired relatives.

(Source: <https://www.caregiver.org/caregiver-health>)

- **51% of caregivers** reported having to **take more medications because of providing care**. 10% reported that they frequently misuse alcohol or prescription drugs.

(Source: <http://www.caregiving.org/data/Caregivers%20in%20Decline%20Study-FINAL-lowres.pdf>)

- About 44 million Americans 18 years old and older are caregivers and provide **unpaid labor** that is worth at least **\$306 billion per year**.

(Source: <https://www.caregiver.org/caregiver-health>)

- Elderly caregivers have a **63% higher mortality rate** than non-caregivers of the same age, according to a study by JAMA.

(Source: <https://www.ncbi.nlm.nih.gov/pubmed/10605972>)

In a word, it's "expensive" as the caregiver ends up paying dearly to provide extended care for you.

“ Providing care doesn’t bring families together; it often tears them apart. ”

You might be thinking: “My kids/spouse/other family member will take care of me.” And of course they will, they love you and often have no choice.

A long-term care plan allows them to take care of you *LONGER* and *BETTER*.

Aside from personal consequences, extended care also leads to financial consequences for you and your loved ones, which begin to accrue when families seek to relieve the burden of the personal, emotional costs by hiring paid, professional help.

You might think you have sufficient assets in your portfolio to cover the cost of care. But **using assets to self-fund for LTC is not a good idea.** Assets aren’t really meant to pay for care or any other monthly expense in life. Your assets are “capital” in nature, meaning that their purpose is to generate a predictable stream of income that will keep up with a rising cost of living and that you and your family can’t outlive.

Using capital to pay for care creates unintended issues with:

- **Unnecessary taxes**
- **Market timing**
- **Liquidity issues**
- **Leaving a legacy**



Perhaps most importantly, every dollar used to pay for care is one dollar less available to generate income to keep future commitments. And that leads to a financial death-spiral.

If you ever need care one day, it's your loved ones—not you—who will feel the brunt of the personal and financial consequences of extended care.

ASK YOURSELF:

Who is important to me to protect should I require care in the future?

A long-term care plan will make sure those people are protected financially and emotionally...while allowing you to remain safe at home or in a facility.

CHAPTER 2 REVIEW:

- Extended care takes an **extreme physical, emotional, and financial toll** on your loved ones who are providing care for you.
- Many caregivers struggle with **depression** and **drug abuse**.
- A long-term care plan allows your loved ones to provide **better care for a longer amount of time**.
- **Do not self-fund**, or use assets to pay for extended care. You need your assets to generate income that you and your family can use for other financial commitments.
- Having a **long-term care plan** is the best way to make sure you have the care you may need without jeopardizing your family's personal and financial security.



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Let's Talk About Money



What do you think it will take to fund your **long-term care plan**? Remember, using your assets to pay for extended care, or self-funding, is not a good idea.

You're probably wondering what kind of financial assistance the government provides for people who need extended care. A common misconception is that Medicare pays for extended care. It doesn't. Medicare is an entitlement program that provides a health insurance plan for people age 65 and older, disabled people, and people of any age with End Stage Renal Disease (ESRD), and is divided into Part A, B, C, and D.

Medicare (and health insurance) does not pay for long-term care (custodial care). Rather, it pays for short-term care when it is skilled and rehabilitative in nature.

If you're a veteran, you may be eligible for some extended care services depending on location. But there's a catch: Most long-term services are available only to veterans who either have severe service-connected disabilities or pass strict means tests on their and their spouses' income. So, unless you're a disabled veteran who meets stringent standards, the funding won't be there for extended care. TRICARE, the career veterans' equivalent to Medicare, doesn't cover extended-care custodial services.

“A common misconception is that Medicare pays for extended care. It doesn't.”



LongTerm
Care Coverage

If self-funding and federal funding are out, what's the best way to pay for extended care should you need it?

A long-term care insurance policy.

A policy gives you an income stream you can use to pay for extended care—separate from the income you're using to pay for other financial commitments.

Generally, LTC insurance policies come in three designs:

- **Individual or "traditional" LTC insurance policy.** This is intended for one person, but many policies offer a sharing provision for couples; this is an option that allows two individual policies to share benefits, typically through a rider. Unused benefits "roll-over" to the survivor, or one spouse can use benefits from both policies if needed. A few carriers offer a third pool of shared funds that an insured who exhausts his own pool can then use; a third pool protects the spouse's or partner's own pool of money being used by the first for needed care.
- **Linked-benefit policies** (also called hybrid or combo LTC). As their name implies, in linked-benefit policies, extended-care benefits are linked to another underlying product. That other product can be either an annuity or life insurance. Regardless, the underlying benefit (e.g., the cash value or life death benefit) must first be spent on services (care that the carrier specifically states it will pay for) before any extended LTC benefits are paid.
- **Life insurance that accelerates the death benefit to pay for extended care.**

Within each type of policy, there are four major opportunities for customization which a professional long-term care advisor can use to create a policy that fits your specific needs:

- **BENEFIT AMOUNT**
- **INFLATION FACTOR**
- **BENEFIT PERIOD**
- **ELIMINATION PERIOD**

Not sure which policy best suits your needs? A professional long-term care advisor can help by asking you these questions:

- 1 **Where do you want to live while receiving extended care?** Most people want to remain at home.
- 2 **Who will be there to provide the care?** Family members provide most of the custodial care.
- 3 **What will pay for it?** Most people would rather not burden their family or drain their assets.

LONG-TERM CARE POLICIES AND TAX BENEFITS

Wondering how taxes factor into our long-term care conversation? We break it down for you here.

Tax-qualified **LTCI** (Long-Term Care Insurance) policies offer their holders certain tax benefits, including tax-free benefits, and depending on the type of policy, deductibility of premiums and preferential tax treatment by many states. For example::

- All benefits from a policy that reimburses **actual expenses** are tax-free.
- All benefits from a policy that pays a set dollar amount (per diem) when the patient is **terminally ill** are tax-free.
- All benefits from a policy that pays a set dollar amount (per diem) when the patient is **chronically ill** are tax-free only up to \$360 per day in 2018.
- If the per diem amounts exceed the limitations, benefits are taxable only to the extent the benefits also exceed the actual expenses.

Note that benefits paid for covered care services from any type of LTCI policy are tax-free according to the guidelines above. But only the "traditional", individual type of LTC coverage is eligible for a deduction of the premiums because **premiums paid for an annuity or life insurance are never deductible.**



GROUP PLANS AND FINANCIAL PARTNERSHIP PROGRAMS

You also may be curious about group policies for long-term care. The availability of coverage for an employee under a guaranteed-issue employer group plan is currently very limited.

Depending on the state, size of the employer, the carrier and how the benefit is designed, LTCI in a business or corporate setting may still offer a type of "simplified" underwriting and other tax-advantaged features especially for business owners or key employees. These "carve-out" plans are typically employer-paid, but may also offer voluntary participation options.

There are also association **"affinity,"** or **"group trust"** plans that may be available on a voluntary basis.

If you are or were a federal employee, there's *The Federal Long-Term Care Insurance Program* (FLTCIP) which is an employer group insurance plan for current and retired federal employees, including military personnel and their families.

PARTNERSHIP PROGRAMS

You may want to consider participating in a Medicaid Partnership Program..

LTC Partnership Programs, which are managed by individual states, **make LTCI more valuable** by offering guaranteed asset protection to those who purchase an approved policy. If after exhausting the policy's benefits, a policyholder applies for Medicaid, they can protect, depending on the plan, all or some of their assets which otherwise would have had to be spent-down.

Partnership LTCI policies must:

- 1 include an inflation protection provision and
- 2 be sold only by Partnership-certified insurance producers who undergo special training.

The certification of producers assures that Partnership enrollees will have received proper advice on purchasing coverage. Partnership Program approval of a policy means that it is included on a select list of policies approved by the participating states.

There are drawbacks, however, including:

- Policyholders' income is not protected from Medicaid, and must be paid toward the costs of care.
- The policyholder may spend his Partnership policy's coverage while still living in the community; since Medicaid pays little or nothing for care in the community, he might then be forced to reallocate income and or invade capital.
- States require the purchase of automatic inflation protection for a policy to be Partnership eligible. This may make the policy unaffordable.

CHAPTER 3 REVIEW

- **Medicare does not pay for long-term care**; the VA only covers veterans who meet specific criteria.
- **Purchase a long-term care policy.** They come in three designs: **individual LTC policy**, which can allow two separate policies to share LTC benefits; **linked-benefit policies**, which link LTC benefits to another product like annuity or life insurance; and **life insurance that accelerates the death benefit to pay for extended care.**
- **Long-term care insurance policies offer tax benefits**, such as tax-free benefits, deductibility of premiums, and preferential treatment by many states.
- Know **where you want to live** if you need extended care, **who you want to provide the care**, and **how you'll pay for it.**



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Applying for an LTC Policy

Congratulations! **You now know the LTC basics: definitions, purpose, and typical policies.** Maybe you've begun to think about the people in your life you want to protect if something happens to you, and what kind of plan will best suit your extended care needs. **What's next?**

Now it's time to work with a professional advisor who can walk you through the particulars of your options, conduct a comprehensive review of your financials, create a customized extended care plan for you, and act as an intermediary between you and the insurance carrier when you're ready to purchase a policy.

“ You need the right partner by your side—someone who can not only guide you through the long-term care planning process, but also reframe the process as an enhancement to your life. ”

Let a CLTC® professional, someone who has graduated from our long-term care certification program, guide you through the planning process and make sure your loved ones are protected.

As a certifying organization, we give our graduates the proper skill set to discuss the consequences that extended care has on clients' loved ones, offer a plan to mitigate them, and when appropriate, recommend long-term care insurance as a funding source for that plan.

CLTC® professionals come from all kinds of backgrounds—**insurance, financial services, law, accounting,** and more. They have completed our Certification in Long Term Care program, take continuing education courses to stay updated on long-term care topics and best ways to work with clients, and stay active in the CLTC® community via forums, webinars, and more.

CHAPTER 4 REVIEW

- Thinking about and applying for a long-term care policy is scary. **An advisor will make sure that you have a plan that protects your loved ones affordably.**
- **CLTC® professionals** have mastered all aspects of extended care and **can create a customized long-term care plan for you.**
- It's easy to **find a CLTC®** graduate near you.

To find a CLTC® professional—your partner in protecting your loved ones—near you, visit
[https://ltc-cltc.com/
Consumers-Long-Term-Care-
Insurance/Find-a-Graduate~](https://ltc-cltc.com/Consumers-Long-Term-Care-Insurance/Find-a-Graduate~)



MORE ABOUT CLTC®

- The **CLTC®** (Certification in Long-Term Care) program was created in 1999.
- It focuses on the discipline of **extended care planning**.
- It provides professionals the critical tools necessary to discuss the subject of **longevity and its consequences** on their client's family and finances.
- Students learn how to mitigate these consequences by **developing a plan** to protect their clients and their families.
- The designation has been **recognized and supported** by The American College, CFP Board, NAIFA, NAHU and major insurance carriers.
- The CLTC® designation may be obtained through our two day live **CLTC® Master Class** or **online eCLTC®**.



Certification for Long-Term Care



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