Our Video Series (Continued); Long Term Care Coverage (Part II)

June 2015

Fathers' Day is Sunday, June 21st

This Month's "Mind Over Money" Video with Kol Birke

Kol is a Director of Technology Product Evolution and Financial Behavior Specialist and a dear friend of Paul's. Kol Birke, CFP®, has worked at Commonwealth since 1999. Kol received a BA in economics from Brandeis University and a Master of Applied Positive Psychology degree from the University of Pennsylvania.

We hope you enjoy this month's video.

Long Term Care Coverage (Part II)

Following up on our last newsletter, I generally suggest that clients consider applying for one of two types of long-term care plans, California Partnership plans or asset-based (sometimes called linked-benefit) long term care plans.

California Partnership long-term care policies

I regularly recommend the use of California Partnership long-term care policies. In 1994 California implemented a program, known as the California Partnership for Long-Term Care (CPLTC), as a partnership between the State of California's Departments of Aging, Health Services and Insurance, and select insurance companies which has now become a model for the nation. These policies provide the following key advantages:

- Comprehensive plan design to cover the full spectrum of care services.
- Affordable plan design with special consumer protection provisions.
- Protection of assets from the required spend down provisions of MediCal

There are a number of unique benefits to Partnership policies and which can only be offered by long-term care coverage insurance representatives like myself who are licensed and who have been certified to work with them; we must take specific continuing education training including a total of 16 hours of classroom continuing education every two-year license approval period.

One set of advantages are provisions which require more of insurance companies that are part of the Partnership program, including making them less able to request future rate increases. Also, at this time there is *virtually no additional cost* between a Partnership policy and a non-Partnership policy. And Partnership policies, like all private long-term care insurance policies, are transportable throughout the United States.

Asset-based or linked-benefit long term care plans

There are other insurance plans called asset-based or linked-benefit long term care plans that are well-suited for those concerned about paying premiums and then never needing long-term care coverage.

Conventional long-term care policyholders may see premium increases in the future, as carriers are not immune from market and industry forces. But asset-based long term care plans are completely immune from any premium increases.

Repositioning existing funds that may be sitting idle, such as checking, savings or certificates of deposit dollars, that are already being set aside for an "emergency long-term care fund." The policyholder maintains control over such assets, and these insurance plans are the only ones I know of that provide a complete return of premium - a money back guarantee if we want to surrender the policy - often from the very first day of coverage. The dollars in these plans can leverage a pool of funds for long-term care expenses if they are ever needed.

Such policies make dollars work harder than they possibly could by sitting in relatively safe investments, such as checking, savings, money market and certificates of deposit, or even in quite aggressive investments, like equities in the stock market.

Typical example: Depending on one's age and health situation, a $75,000 investment in one policy provides one typical client of mine with over $242,170 worth of current long-term care benefits, and current life insurance coverage of about $121,085.

- As a permanent life insurance policy, the cash values generated by the initial deposit are used in these plans to efficiently and effectively fund the payout of future long-term care costs, with a corresponding decline in death benefit coverage.

- If the entire long-term care coverage amount is used for long-term care costs, a residual tax-free death benefit will always remain in place as well.

- These types of insurance policies are the only ones I know that offer built-in return of premium riders. These are money back guarantees for long periods of time.

- By earmarking a minimum of $75,000 you can work with well-regarded and well-rated insurance companies to put coverage in place. For many years I've successfully helped many clients obtain this coverage. They provide a series of guarantees that leverage dollars most appropriately based on a client's current state of health and financial situation. They offer a better approach to self-insuring. They provide clients and their families with peace of mind and protection from significant long term care costs.

First Steps

I suggest reviewing your existing long-term care coverage and developing the best way to manage this risk. Feel free to provide me with details about any existing long-term care coverage that you may have.

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My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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