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What to Look for in a Long-Term-Care Policy

Long-term-care insurance is one of the most complex types of insurance you may consider purchasing. Here's a list of 10 questions to ask that may help you better understand the costs and benefits.

What types of facilities are covered? Long-term-care policies can cover:

- Nursing home care
- Home health care
- Respite care
- Hospice care
- Personal care in your home
- Assisted living facilities
- Adult day-care centers
- Other community facilities

Many long-term-care policies cover some combination of these. Be sure to understand what facilities are included when you're considering a policy.

What is the daily, weekly, monthly benefit amount? Policies normally pay benefits by the day, week, or month. You may want to evaluate what long-term-care facilities in your area are charging before committing to a policy.

What is the maximum benefit amount? Many policies limit the total benefit they'll pay over the life of the contract. Some state this limit in years, others in total dollar amount. Be sure to address this question.

What is the elimination period? Benefits don't necessarily start when you enter a nursing home. Most have an elimination period—a period during which the insured is responsible for the cost of care. In many policies, elimination periods can range from zero to 100 days after nursing home entry or disability.

Does the policy offer inflation protection? Adding inflation protection to a policy may increase its cost, but it could be important if long-term-care services increase in price.



Tip

How Old Are You? Age can make a difference in the cost of a long-term-care policy. Generally, the older you are when you purchase a policy, the higher you can expect the premiums to be.

Source: U.S. Department of Health and Human Services, 2012

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How are benefits triggered? Insurance companies use specific criteria to trigger benefits. The most common is inability to do a certain number of the activities of daily living without assistance. The six activities of daily life used by most insurance companies are:

- Bathing
- Eating
- Contenance
- Toileting
- Dressing
- Transferring

Many policies also have benefits for Alzheimer’s disease or other forms of dementia.

Is the policy tax qualified? Certain long-term-care policies can offer federal income tax benefits. Generally, premiums paid for these policies can be included with other uncompensated medical expenses for deduction from income if they exceed 7½% of adjusted gross income. And benefits received generally will not be counted as income.¹

Is the policy guaranteed renewable? In most states, long-term-care policies are guaranteed renewable. That means as long as premiums are paid on time the policy is guaranteed to be renewed, regardless of any claims.²

How strong is the insurance company?

There are several companies that analyze the financial strength of insurance companies. The ratings can show you how industry watchers view various insurance companies.

What other policy options are available?

There are a number of other long-term-care policy options you may want to consider. Waiver of premium allows premiums to be discontinued once benefits are triggered. Third-party notice requires the insurance company to notify a third party whenever premiums have been missed—so the insured can have a child or trusted advisor make certain premiums are paid.

There are many factors to consider when reviewing long-term-care programs. The best policy for you may depend on a variety of factors, including your unique circumstances and financial goals.



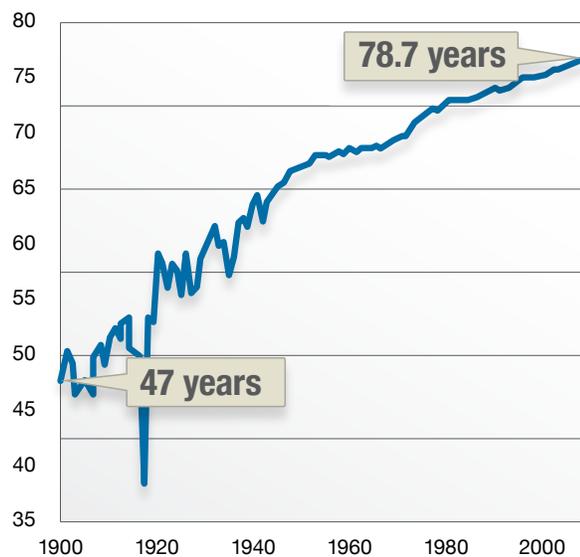
Fast Fact

Costly Care. The national average cost of care in a skilled nursing facility is \$83,585 a year. Care in an assisted living center averages \$39,516 a year.

Source: U.S. Department of Health and Human Services, 2012. Prices are for single occupancy.

Touch of Gray

In 1900, the average person lived to age 47. The average life expectancy rose to 78.7 years in 2010, the most recent figures available.



Source: Centers for Disease Control and Prevention, 2012