

# T. Dennis Connally

## Financial Consultants, Inc.



MAY 2002

### Long-term Care is Much Higher Than You Think



At a time of need, no one ever regrets having valuable insurance protection. This is especially true if the financial loss is catastrophic and extends in a very significant way to other family members. Most of us protect ourselves from these kinds of losses through the purchase of homeowners, auto, and medical insurance. There is little emotion involved and it is generally not a decision that involves the entire family. We look at it as a financial necessity, try to get the best deal, and just do it.

**Each year, more than 100,000 people lose their life savings paying for long-term care.** But when it comes to purchasing long-term insurance, in spite of statistics that show the relative risks to be higher, the decision sometimes becomes more difficult because of the family emotions involved. This is espe-

cially true if children promise to be caregivers.

Studies show that nearly two in every five elderly individuals will require nursing home care at some time later in life.

When you consider the cost if spending a year in a nursing home could run to \$60,000 or more (\$73,000 in metropolitan areas), and that the average duration of care is about three years, you could face unplanned expenses of at least \$180,000 not covered under major medical plans or Medicare. The costs of long-term care could easily deplete your retirement nest egg. It's a risk you can't afford to ignore.

#### **One Way to Safeguard Your Savings: Long Term Care Insurance**

Could you afford long-term care? And even if you feel you could, why take on that financial burden when there is an affordable alternative to paying these expenses out of your pocket: long-term care insurance. By paying a reasonable annual premium, perhaps from your investment earnings, you can transfer the risk to an insurance company and protect your assets from long-term care cost. Long-term care insurance can also help you maintain your independence and give you the freedom to choose the type of care you want.

#### **Long-term Care Insurance: Myth vs. Reality**

**Myth 1:** I'm healthy now and take very good care of myself. Chances are I won't ever need long-term care in my lifetime.

**Reality:** Nearly half of all people over age 65 will spend time in a nursing home.

**Myth 2:** My children plan to take me in, if necessary. Long-term care insurance is just for nursing home expenses.

**Reality:** For every person in a nursing home, five others need similar care at home. That's why long-term care insurance is not just for nursing home costs. It provides benefits if you are unable to care for yourself, and often covers services provided in the home or a community facility, including adult day care. You may even be covered for emergency medical response systems, home medications due to a medical condition, or the temporary services of a medical professional to share at-home convalescent care.

**Myth 3:** I don't need insurance. My Medicare/Medicaid coverage will provide for long-term care.

**Reality:** Most studies have shown that Medicare provides for less than 5 percent of the total long-term care costs an individual incurs. In fact, long-term custodial care, such as

help with housekeeping or cooking - the kind most often needed by the elderly—isn't covered at all by Medicare. Then there's Medicaid whose rules vary by state. It's homecare coverage is limited to people with low incomes and few assets. Given the current squeeze on Medicaid funding, this coverage may soon suffer at the hands of Washington cost-cutters.

### Who Should Consider Long-term Care Insurance?

From a financial standpoint, the best candidates for long-term care insurance are retired or pre-retired individuals between the ages of 55 and 65 who have at least \$150,000 in assets to protect. Those under age 55 may be interested in purchasing long-term care protection for their parents, or for themselves when the price is considerably lower.

Since long-term care insurance is medically underwritten, all candidates should be in reasonably good health.

### How to Choose the Right Plan

The cost of a plan — in terms of annual premiums — plays a large role in determining what type of long-term care coverage is best for you. A range of policies, designed to fit a wide variety of pocketbooks, is available. Following are some guidelines to consider:

Long-term care policies are more inclusive than they used to be. Most routinely cover functional infirmities (such as needing help to bathe and dress), physical impairment (such as a stroke) and cognitive impairment (such as Alzheimer's disease). It's best to avoid policies that require a hospital stay before you can collect benefits.

Comprehensive plans can provide coverage for nursing home care, assisted-living facilities, home care

and community-based care; you can lower premiums by selecting a more limited plan. Other ways to reduce premiums include lowering the daily benefit amount, choosing a shorter benefit period or increasing the elimination period.

1. Daily benefit amount. This is the maximum benefit you will receive for any one day. Before choosing a benefit amount, you should find out the going rate for nursing home or home health care in your area. Typically, individuals choose an amount in the range of \$100 - \$150 a day.
2. Benefit period. Five-year plans are popular because '90 percent of all people who need care will need it for five years or less. If you want to minimize your risk, a lifetime benefit period may be appropriate.
3. Elimination period. The elimination period is like a deductible and should be selected based on the amount of time you are willing to pay for long-term care expenses out-of-pocket (self insure) before benefits begin. The most common choices are 20 days or 100 days.

Additionally, some companies offer inflation protection riders that increase your daily benefit amount. The best inflation protection, especially for buyers in their 60s or under, increases the daily benefit amount by 5 percent a year compounded annually.

With the large number of policies on the market, one of the most important parts of your decision is buying from the right company. Make sure your insurer has a top rating from the major credit rating agencies. Ask how long the company has been writing long-term care insurance, and examine its

claims paying history. You want a company with a proven track record that will be there to meet your needs now and in the future.

### Summary

Which would you prefer to do? Pay \$180,000 or more for long-term care expenses, or purchase a long-term care insurance policy whose annual premium costs less than one month's stay in a nursing home? Long-term care insurance — it's a good investment.



## QuickBooks Training

**Date: May 30, 2002**

**Place: Ramada Inn,  
Douglasville, Ga.**

**Class Schedule:  
Session 1 — Getting  
Started with QuickBooks  
9:00 a.m. - 12:00 noon**

**Session 2 — Daily Operations  
1:30 p.m. - 4:30 p.m.**

**Fee \$197.00**

**Please sign up early as  
there will be limited  
seating.**

**Please call Missy at our  
office for directions.**



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T. Dennis Connally, Financial Consultant Inc.

You'll want to consider the strength of your normal backup activities such as making regular backups of your data and maintaining a good paper trail of the important documentation from your systems. You'll also want to consider the frequency of your backups (how often the backups are done) and the storage of backups and paperwork both on-site and off-site just to be safe. This might be a good time to make arrangements to use another organization's work site in case you temporarily experience power outages or hardware and equipment failures. Or you might find other vendors who offer the products and supplies you need if your regular vendors or suppliers are not able to ship products to you.

In short, treating Year 2000 issues as natural disasters and evaluating your disaster recovery plan for your computer systems and other systems may be your best course of action.

**A Final Note**

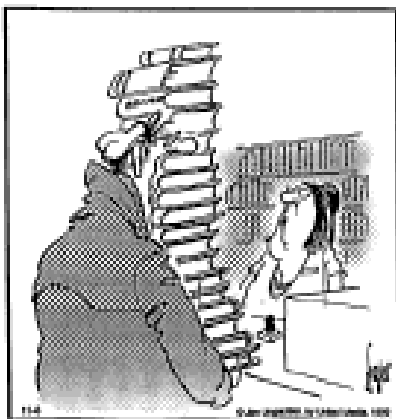
No one knows for sure what will happen during the Year 2000 rollover, but it's always best to be prepared. We hope our suggestions are useful to you as you make your own plans. After all, the success of your company and your continued business with us is as im-

portant to us as it is to you. This article is not meant to be an extensive road-map on the direction you can take to prepare for the Year 2000. However, we hope it has provided you with some guidelines that can be used as a starting point. It is up to you to assess your company's needs and to choose the best options that will benefit your business in the next century.

*"All of us here at  
T. Dennis Connally,  
Financial Consultant Inc.  
extend to each of you and  
your family  
every good wish for the  
holiday season"*

HERMAN

By Jim Unger



"Let's see. That's 18 volumes of 'Income Tax Made Easy.'"

**NOTICE**

**Credit Policy Change**

**Effective September 1, 1999, any account that is more than 90 days past due will be automatically turned over to our collection service, and the credit bureau will be notified of the delinquent account.**

**TAX TIP**

For the past three years, making investment decisions based upon their income tax consequences has been especially difficult since Congress made surprise changes to the capital gains rules in mid-1997 and mid-1998. There seems to be the potential for more changes in late-1999 in light of the "Taxpayer Refund and Relief Bill of 1999," which was recently passed by Congress. Provisions in this bill would lower the maximum capital gains rate to 18%, effective starting in 1999, and would index the rate for inflation beginning in 2000. Although President Clinton is expected to veto the bill in its present form, passage of the bill does send a signal to taxpayers that a lower capital gains rate is on Congress's agenda, and that rates could very well decrease in the near future. Although we can't predict which proposals become law, it is always a good idea to keep up with potential changes and to understand early in the planning process how they would impact your investment decisions.

**Happy Holidays!**