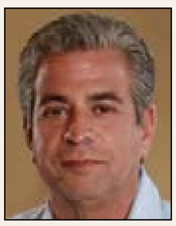
INSURANCE

Plan for final years now with long-term care insurance

BY RICK KLUCHIN

Every American has heard about The Affordable Care Act. But did you know that your highest cost expense might be in the final years of your life? Today, the high cost of long-term nursing care ranges from $200 to $350 per day depending on where you live. Based on 3% to 5% inflation, the expected costs in 20 years could be as high as $500 to $1,000 per day. The average stay at a nursing home is 2.5 years.



KLUCHIN

Long-Term Care can be defined simply as care provided by another party for the benefit of someone who is unable to care for themselves due to aging, illness or disability. There are several ways to pay for the high cost of Long-Term Care:

Government Funded/Medicaid. You must spend down virtually all of your assets prior to becoming eligible and you may not be able to receive services at the facility of your choice.

Traditional Long-Term Care Insurance. The annual premium for a 55-year-old ranges from $3,000 to $5,000 depending on the daily benefit and length of stay. Most plans offer a pool of benefits for a couple and a discount is given. Inflation riders are available at a high cost.

Universal Life Insurance Policy with a Long-Term Nursing Care Rider. This provides a pool of money for long-term care in lieu of a death benefit if you meet two of six activities of daily living.

Single Premium Whole Life. A new option where a pool of dollars already invested at low rates can be transferred to a single-premium whole life policy, which allows access to the death benefit for qualifying long-term care expenses. A well-known insurance company gives a guarantee of principal and a death benefit, which if never needed allows for a long-term conservative investment pool.

The challenge becomes protecting your assets while maintaining your current lifestyle. This is an opportune time to consider the value of long-term care insurance so you can feel safe and secure knowing you have some control over the cost of long-term care expenses.

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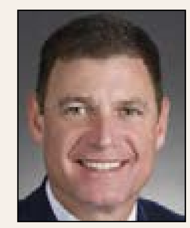
Will you outlive your life insurance policy?

The effects of low interest rates and increased life expectancies

BY JEFFREY M. WASSERMAN

If you look over the past 20 years of declining interest rates (more than 4% decrease at this point in history according to the U.S. Department of the Treasury), combined with the increased life expectancies of the U.S. population, you'll see that you may outlive your insurance policy. A "permanent life" policy may not even last until death without your premiums significantly increasing.

In response to increased longevity, the National Association of Insurance Commissioners adopted new mortality tables in 2001 that had not been updated since 1980. Many insurance carriers adopted the new table in 2003, which, for the most part resulted in lower insurance costs.



WASSERMAN

What does this mean to you, the policyholder? Simply put, if you purchased life insurance before 2003, you are likely paying too much. Couple that with the low interest rate environment and you may be overpaying for a policy that is underperforming.

One possible solution is Guaranteed Universal Life Insurance. Developed in the early 2000s, these products have an interest rate component that could potentially increase in favor of the policyholder but offer protection against a declining interest rate and reduction in the duration of the policy. In other words, if you purchase a policy to age 100, it remains guaranteed to age 100 regardless of interest rate fluctuation.

If you own permanent insurance of any kind, you should have it reviewed by an insurance professional on a regular basis. Like any asset, life insurance needs to be managed and monitored to ensure that the policy is performing as expected and that it is competitive relative to current product.

You owe it to yourself and to your family to take a fresh look at your life insurance.

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