

Back To Diapers and Spoon Feeding!

by Paul Breslau

The years ending many of our lives will resemble our first years of life; someone will be changing our diapers and spoon feeding us; however, in our final years there are no dotting parents. We will have the choice between government programs for the poor, care provided by spouses or children, or long term care insurance. Paul Sabol, President of The Sabol Agency Inc. of Scottsdale is a long term care insurance expert and has helped write the following article.

What is Long Term Care?

Long term care is the type of care received either at home or in a facility when someone needs assistance with activities of daily living (bathing, dressing, toileting, transferring, continence and eating), or suffers severe cognitive impairment (such as Alzheimer's disease).

Many different services help people with chronic conditions overcome limitations that keep them from being independent. Long term care is different from traditional medical care. Long term care helps one live as he or she is now; it may not help to improve or correct medical problems.

Someone with a physical illness or disability often needs hands-on help with activities of daily living. People with cognitive impairments usually need supervision, protection, or verbal reminders to perform everyday activities.

The need for LTC touches eight out of 10 families in the United States every year, and the risk is

higher than destroying our car in an accident, or even having a fire at home. Statistics also show LTC is not only for the elderly - more than 35% of LTC benefits paid in 2001 were to those under the age 40.

What is the Cost of Care?

The average daily cost of care for a private room in a nursing home in Phoenix, Ariz. is \$170, or \$62,050 per year. Given the choice, most would prefer to have care given at home; however, that cost can be significantly higher than in a nursing home for 24/7 skilled nursing care.

Each year the cost of care increases at a rate of approximately 5% compounded. In 30 years, at this rate, the cost will approach \$1,000 per day, an astounding \$365,000 per year. Is your retirement plan sufficiently funded to handle this risk?

Asset protection is an important part of retirement planning today and will continue to be in the future. But often, retirement funds are not protected from the potentially high expenses associated with long term care. The extraordinary cost of LTC can decimate our investments built up after a lifetime of saving.

Doesn't the Government Pay LTC Expenses?

You should not rely on the government for care. Unfortunately, long term care is the largest unfunded government liability facing Americans today, especially the baby boomers.

Medicare does provide certain



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short-stay nursing home and home health benefits following a three-day hospital stay. The trend may be a reduction of Medicare benefits rather than an increase.

Medicaid is a means-tested, federal/state matching program that pays for the health needs of the indigent population, and more recently, the needs of the poor elderly. In order to qualify for Medicaid, applicants must spend down virtually all of their assets and must in effect be bankrupt.

What will the Government do About this Unfunded Liability?

Encourage Americans to purchase long term care insurance (LTCI) and provide incentives to businesses to offer LTCI to their employees.

The government currently provides tax breaks to businesses that purchase long term care policies for the owners, and their employees. Also, insurance companies will provide premium discounts to employees for

employer sponsorship, even when purchased on a voluntary basis.

Is LTCI Right for Me?

Long term care insurance is a cost effective risk management tool to transfer a potential seven-figure liability to an insurance company.

In fact, one strategy allows you to pay off the entire premium before you retire and own the policy for the rest of your life while the daily benefit increases annually to keep pace with inflation.

It is never too soon to consider this valuable LTCI protection

because it is easier to medically qualify at younger ages and the rates are more affordable. Without proper planning, a long term care event can wipe out personal assets, retirement savings and a family's entire estate. How will you handle this risk?®