Long-Term Care Insurance: Passion, Mission and Opportunity

Arthea J. S. (Charlie) Reed, Ph.D.

Arthea S. Reed, Ph.D., is a five-year MDRT member with one Court of the Table and one Top of the Table honor. A long-term care specialist with Northwestern Mutual Financial Network and the Todd Organization, she has led Northwestern in long-term care insurance sales for five consecutive years. Prior to her career in insurance, she was a university professor and administrator for 20 years. She has authored 16 books on education and literature and is an active community volunteer, serving on many boards, including chairing the United Way Campaign in 2003.

Long-Term Care Insurance Connection
18 S. Pack Square
Asheville, NC 28801
Phone: 828.210.3818
E-mail: charlie.reed@nmfn.com

I/R Code: 100.071
Cassette: A0566
CD: C0566

1. How many of you have had someone in your family or someone close to you experience a long-term (chronic) care need? [If you have, please raise your hand and hold them up for a minute. Please look around and see how many people have been affected by chronic care needs of family or close friends.]
2. How many of you have discussed with your spouse, parents, in-laws, or other family members how, where, and by whom they would want to have care provided when the need arises? [If you have, please raise your hand and hold them up for a minute. Please look around and note that many fewer of us have discussed this need with family members even though we recognize how frequently it occurs.]
3. How many of you can tell me how much care is likely to cost where you, your parents, and your in-laws live? [Please raise your hand.]
4. How many of you know where the money will come from to pay for your, and your spouse's care? [Please raise your hand.] How many of you know where the money will come from to pay for your parents' care? [Please raise your hand.] How many of you know where the money will come from to pay your in-laws' care? [Please raise your hand.]

Before I begin my comments, I want to make a few points about these questions.

- These are the questions I always ask my clients at the beginning of a first interview.
- If you answered these questions like most people (someone close to you has had a long-term care need, you have not discussed the issue of your or their care with family members, you don't know how much care is likely to cost, nor are you sure where the money will come from to pay for it), than you need to do long-term care planning for yourself and your family.
- If you first sell long-term care insurance to yourself and your family, you will not only protect

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your and their lifestyles and assets, but you will also find that it is easy to sell long-term care insurance to others.

I will use each of the questions I asked you as the outline for my talk.

1. Has anyone in your family or anyone close to you had a long-term (chronic) care need?

As I said this is always the first question I ask at every interview. If the answer to this question is "yes," and it most often is, than I follow it up with: "Please tell me about it." From their response I know how much they know about long-term care options, what they cost, what they want for themselves and their immediately family, and if they are good long-term care insurance prospects.

Often I tell my own story.

My mother was my father's caregiver for eight years. When my mother was in her late 50s and my father was about 60, his chronic heart failure and emphysema made it impossible for him to continue to work and pursue a normal life. Giving up his work also meant selling his business in a "fire sale." Because the amount of money they expected to retire on was significantly reduced, they were forced to sell the beautiful home I had grown up in and move to a two-bedroom apartment. Initially, my mother gave up her own work so that she could spend time with my father. As time went on, she gave up all aspects of her life: her bridge club, her garden club, lunches out with her friends. By the time my father died, my mother had given up almost everything, including her friends. Few people came around to see them – they were basically isolated.

During the time my father was ill, my mother bought a long-term care policy for herself. This was long before I was in the business and paying the premium was not easy for her. However, she not only made the ultimate sacrifice for her husband, she also provided me, her only child, with an incredible act of love. She purchased the policy so that I would never have to care for her as she had cared for my father.

My commitment to my mother's memory is to never allow anyone with whom I come in contact to fail to plan for long-term care needs.

My mission is to bring the good news about planning for long-term care needs to everyone who will listen.

And, listen to my good news: About six years ago my mother-in-law had her first heart attack, followed by three heart surgeries and another heart attack. She was in her late 70s and did not own a long-term care insurance policy. She and my father-in-law lived in an old home in downtown Eatonton, GA, about 5 hours from where we live in Asheville, NC. Most weekends we drove to Eatonton. Dad said he was doing fine cooking, cleaning, and taking care of Mom. But, after our first trip when we found the cupboard bare, we would stop at the grocery store on our way into town and I would spend the weekend cooking, freezing meals, and cleaning. Don, my husband, helped his Dad with the yard and repairs to the house. We were exhausted, and it was tough on our businesses.

At the time, I was a brand new long-term care insurance specialist and knew that it was too late to apply for long-term care coverage for Mom. However, Dad at age 80, was still very healthy. Mom and Dad's income and assets were limited to their home, social security, and a small civilian military pension. They could not afford to pay for the rather substantial premium on a long-term care contract for Dad. So, although it was financially difficult at the time, Don and I decided to buy a 3-year benefit period, long-term care insurance plan for Dad. That was probably the best personal and financial decision we ever made.

Two years ago this past October Mom and Dad moved from central Georgia to Highland Farms, a beautiful Continuous Care Retirement Community (CCRC) in Black Mountain, NC, about 20 minutes from our home. They are happier and healthier than they have been in years. We can never find them; they are so busy with all of the activities of the community. Highland Farms, like many other life care communities (or CCRC), requires that people who move in can walk in under their own power and initially live relatively independently. In addition to the physical check up, they require a financial check up. They, like many other life care communities, require that each new resident can pay for three years of care in their health care facility. Mom and Dad had

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enough assets, with the sale of their home, to cover three years of care for one of them. Dad's long-term care policy became the asset that covered three years of care for the other. Without his policy they would not have been able to move to Highland Farms. They would still be struggling to maintain their home in Georgia, and we would still be long-distance caregivers driving 10 hours each weekend to provide the care. What a blessing Dad's long-term care policy has been even though he has not yet used it!

Anyone who has experienced the care needs of a family member or close friend or recognizes that they might do so in the near future, is a candidate for long-term care insurance.

2. Have you discussed with your spouse or other family members how, where, and by whom you or they want to have care provided?

You can see the importance of this conversation from my story about the planning we did with Mom and Dad Reed. I can tell you horror stories of families who have failed to plan. I know you have those stories as well and I encourage you to tell them. For most of us a story paints the picture far better than statistics. However, since this is a speech to provide you with important and helpful information, I will give you some demographics that make it clear why all of us must plan for long-term care needs. Did you know that:

- 42% of all people in care today are under the age of 65. (Long-Term Care Insurance: Baby Boom Generation Increases Challenge of Financing Needed Services, General Accounting Office, March 2001, GAO-01053T: 1-3.)
- 1 in 5 Americans over age 50 will need care within the next 12 months. (Coolidge, C. "Accelerated Payment: Life Insurance that Pays When You're Still Alive," USA Today: 10/28/2002.)
- About 30% (10.5 million) of non-institutionalized Americans age 65 and over live alone (7.9 million women and 2.6 million men). This represents 41% of older women and 18% of older men. The percentage living alone increases with age. Over 49% of women age 75 and over live alone. (A Profile of Older Americans: 2003, Administration on Aging, U.S. Department of health and Human Services, www.aoa.gov/prof/Statistics/profile/2003/profiles2003.asp.
- 44.4 million Americans (21% of the adult population) are currently caring for another adult. (Caregiving in the U.S., April 2004, National Alliance for Caregiving and AARP)
- Nearly 80% of all long-term care is provided at home; most of it by unpaid caregivers. Only 20% of long-term care is provided in assisted living facilities or nursing homes. (Long-Term Care Insurance: Better Information Critical to Prospective Purchasers. General Accounting Office, Sept. 2000, GAO/T-HEHS/00-196:3.)
- One of the top ten premium-in-force long-term care insurers, in business since the late 1990s, states that their most common long-term care claim for women under age 65 is breast cancer and the most common under age 65 for men is heart attack.
- Studies show that the likelihood of needing care during an individual's lifetime is 50-60%. (PR Newswire. Baby Boomers Need to Plan for Their Future. Yahoo! Dec. 7, 1988; Conning & Company, Long-Term Care Insurance – Baby Boom or Bust?, 1999.)
- By the age of 85, 50% of all Americans are diagnosed with Alzheimer's disease. (Sternberg, Steve, "Alzheimer's Tidal Wave Feared. USA Today, March 22, 2000.)

Long-term care planning and purchasing a long-term care insurance policy can change lives.

My youngest claim on a long-term care insurance contract was 32 years old when she filed her claim. She had purchased her policy at age 31 as a part of an employer-sponsored voluntary plan. On that day, a guardian angel was sitting on her shoulder. Six months after she purchased her policy she was in a car accident, leaving her a paraplegic for life. This young woman, who has a lifetime benefit on her long-term care contract and may live a normal life span, is the single mother of three children.

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What made her decide to purchase a long-term care policy at age 31? She went to an educational seminar I presented at her place of employment. At that seminar, I asked the participants how they would pay the $45,000 annual cost of care at that time if they needed it? What would they do if the care need lasted 10, 20, or 30 years? How would they pay for it? I also told them that if they couldn't pay for it themselves, no other insurance would pay for it. Their only choice would be to spend down all of their assets to the poverty level so they could qualify for Medicaid, a state funded – federally administered program of care to people in poverty. I further told them that Medicaid in North Carolina would not pay for home care. They would be required to go to a Medicaid approved facility that might be many miles away from their home.

My young client told me afterwards that she pictured herself institutionalized with her three children wards of the state. That's what made her purchase the policy. And, you know, that is exactly what would have happened had the guardian angel not been sitting on her shoulder that day. Her disability income insurance only covered 60% of her income at time of disability with no future indexing. And because her employer paid the disability income insurance premium it was taxable. The approximately 45% of her income she received along with a social security disability benefit was not enough to provide for her children and cover her care. Her only choice, without the long-term care insurance, would have been Medicaid.

When you ask your prospects whether they have discussed what they or their family members want for their own care, you force them to begin to plan. As they think this through, they tell you what benefits they will need on their long-term care insurance plan.

3. Do you know how much care costs and where the money will come from to pay for it?

- ➢ The average U.S. cost of long-term care is $180 per day ($65,700 per year). The more affluent the individual, the more her/his care is likely to cost. Full-time home care and high-end facility care can far exceed this average.
- ➢ This is why most people are destitute within one or two years of needing care. (70% of single people spend down most or all of their assets within a year; 50% of married couples are impoverished within one year of one spouse entering a nursing home. (Leimburg & LeClair, Inc., 1996.)
- ➢ If care cost $180 per day today, what will it cost when your prospect is likely to need care? We don't know for sure, but what we do know is that the cost of care is going up at 3% above inflation per year; increasing at an average annual rate of 6% compounded, meaning that the cost of care is doubling approximately every 12 years. (Mulvey, Janemarie, Ph.D. and Barbara Stucki, Ph.D., "Retirement Planning for Baby Boomers: The Role of Long-Term Care Insurance," Journal of Financial Professionals, LIII.5.)
- ➢ Based on the numbers above, if you have a prospect who is 40 years old today and she were to need 3 years of facility care (the current average length of a care need in a facility) when she is 64 in 2029 (24 years from today), the average cost of that three years of care is likely to be $788,400.
- ➢ If that same 40-year-old today does not need care until age 76, the average cost of care in 2041 is likely to be $1,440 per day, $525,600 annually, and $1,576,800 for three years. And, in all likelihood, your prospect will not need care until she is 85 or older.
- ➢ No other insurance is designed to cover chronic care needs.

These numbers make it clear why almost all people, no matter their economic situation, need to do long-term care planning. Even people with significant assets may find it difficult to fund their own care.

I have a client who is the affluent widow of a deceased surgeon. She lives in a beautiful home on many acres. Could she have paid for her own care? Probably. However, her long-term care policy has allowed her to employ a full-time, live-in caregiver that has made it possible for Katy to remain in her home. Without her long-term care policy

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she would probably have had to sell her home or cash in other non-liquid assets. Now, while she is receiving care that is funded by her long-term care policy, the value of her home is increasing and her assets are continuing to grow. Not long ago, Katy made arrangements to transfer her home and property to her community foundation upon her death. In addition, she has placed many of her assets in trust. She will continue to live off the income from that trust, but at her death the proceeds of the trust will become a charitable foundation administered by family members. Katy's and her husband's planning have made it possible for Katy to continue a relatively active lifestyle even while she is receiving care and to allow their legacy to be passed on to benefit her community for generations to come.

What happens to people who fail to plan?

Most people who do not plan for a long-term care need and need care, don't get the quality of care that they need. When a family member is the only possible caregiver, there is almost always an economic, physical, and emotional strain placed on the entire family. And, worst, most people who do not plan and need care leave themselves and their families destitute.

I ask my affluent clients these questions to try to bring these points home:

- ➢ Will you be able to care for Sarah/John when you are both in your 80s or 90s?
- ➢ What if you die, who will care for Sarah/John?
- ➢ How will you feel about paying $1,000 or more per day for her/his care?
- ➢ If money does not have to be spent for your care, what would you like to happen to that money at your death?

These are hard questions, but women, in particular, need to face the facts that:

- ➢ By the time we are 75 nearly half of us (49%) are likely to live alone. (A Profile of Older Americans: 2003, Administration on Aging, U.S. Department of Health and Human Services)
- ➢ By the time we are 65, more than one in five of us (21%) will not drive resulting in 15% fewer trips to the doctor, 59% fewer shopping trips and visits to restaurants, and 65% fewer trips for social, family, and religious activities. (Linda Bailey, Aging Americans: Stranded Without Options, Surface Transportation Policy Project, April 2004)

The demographics are clear; the stories are irrefutable. All of us must plan for the likelihood that we will need care during our lifetime.

4. So, what is the opportunity for long-term care insurance sales?

A. The Individual or family market.

- ➢ The world's population is growing older. In Western Europe by 2030, half of the population will be over age 50. (Sarah Harper, Ageing Society, The Oxford Magazine, March 2004.)
- ➢ By 2050, the United Kingdom's current population of 10,000 over age 100 is expected to reach 250,000. (Sarah Harper, Ageing Society, The Oxford Magazine, March 2004.)
- ➢ 50% of baby girls born in the West today will still be living when the 22nd century begins. (Sarah Harper, Ageing Society, The Oxford Magazine, March 2004.)
- ➢ More than 8 out of 10 Americans (85%) over the age of 45 are uninsured against the risk of long-term care expenses. (A Vast Majority of Americans Over Age 45 Unprotected. . . Second Annual Study, Pittsburgh Business Journal, May 17, 2004)
- ➢ 89% of those between the ages of 45 and 64 are uninsured. (A Vast Majority of Americans Over Age 45 Unprotected. . . Second Annual Study, Pittsburgh Business Journal, May 17, 2004)
- ➢ In the U.S. the Baby Boomers, now known as the Age Wave, are approaching retirement.
  - i. In 2011, 3.4 million, the first wave of the Baby Boomers born in 1946, will reach retirement age.
  - ii. In the years 2012 to 2029, 3.8 to 4.3 million baby boomers will retire each year.

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B. The professional market.

In the U.S many professionals are self-employed or are owners/share holders of professional corporations. Physicians, attorneys, accountants, architects, and many other professionals have significant federal income tax incentives for purchasing Long-Term Care insurance. Self-employed individuals can deduct a portion of their and their spouse's LTCI premium up to a cap based on their age. Every year that cap is indexed by approximately the rate of inflation, and the cap increases significantly as the person ages.

Owners and shareholders of corporations, when treated as part of an employee group, are often able to deduct their and their spouse's full premium, as long as it is considered appropriate compensation; and they can exclude the premium from their income.

Most insurance companies publish summaries of the tax laws affecting long-term care insurance.

Professional groups, such as medical and law practices, are excellent candidates for both corporate-paid and/or voluntary long-term care insurance plans. They need the coverage to protect their assets and lifestyles and are attracted by group discounts, tax incentives, short-pay opportunities (10-pay or paid-up – at- 65), and underwriting concessions available from some companies depending on participation and or corporate dollars to pay the premium.

C. The Association Market.

Professional associations, service organizations, volunteer groups, religious organizations, and up-scale retirement communities, among others, are good candidates for discounted, voluntary long-term care insurance plans.

Some of the associations we have found to be particularly interested in quality long-term care products and advice include: two upscale Continuous Care Retirement Communities (CCRC) that include our brochure about discounted LTC plans in their marketing materials, physicians with admitting privileges to hospitals, volunteers at those hospitals, and a professional association of personnel company business owners. Your personal network will come up with many more.

D. The Corporate Market

Long-term care insurance in the corporate market place is today where disability income insurance was in the 1970s – in its infancy. My personal prediction is that by 2020 almost all corporations will have long-term care insurance plans in place.

The corporate market is actually two markets: executive and employee. Both can be corporate-paid or voluntary; many executive plans are corporate-paid. Voluntary plans are easy to sell, but difficult to enroll and administer. Corporate-paid plans are difficult to sell, but relatively easy to enroll and administer. A word of advice: Partner with someone you can trust who has sold, enrolled, and administered these plans before doing one yourself. You'll learn a lot, earn more, and have far fewer headaches.

To be successful in the group market, you must:

- ➢ Understand your own market.
- ➢ Network in that market.
- ➢ Learn the tax laws related to that market.
- ➢ Recognize the difference between true group and mulitilife individual plans with discounts.
- ➢ Learn what specific insurance companies offer in terms of:
  - Contract provisions,
  - Maximum benefits,
  - Group discounts,
  - Other discounts available: spousal, married, partner, etc.,
  - Who is eligible for the group discounts,
  - Underwriting concessions, if any,

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- Percentage of employees who must enroll,
- Premium rate guarantees,
- Premium payment options: Monthly, annual, 10-pay, paid-up-at-65, etc.,
- Support Services, including:

➢ Enrollment & marketing support
- Marketing materials
- Enrollers
- Website
- On-line enrollment

➢ Employee / employer communication

➢ List bill / payroll deduction

➢ Re-enrollment

➢ Claims assistance

➢ Be knowledgeable about the insurance companies
- What is their market?
- How many employees are required for various types of plans?
- What are the third-party financial ratings of the insurance company?
- What is their premium history?

➢ With current insured, and

➢ With new insureds.
- What is the company's claims paying philosophy?
- What is their communication structure?

➢ Know the employer and the specific needs and goals of the employer and employees.

➢ Be prepared to make recommendations to the employer based on the employer's needs and goals.

➢ Actively participate in the enrollment.

➢ Keep communication lines open between you, your staff, the insurance company, and the employer.

➢ Advocate with the insurance company on behalf of the employer.

➢ Be prepared to recommend changes in the LTC plan and / or insurance companies as appropriate

➢ Always remember that your role is to do what is in the best interest of the employer now and in the future.

The long-term care group market is one of the best opportunities for insurance sales professional. However, success over the long–run in the long-term care group market requires that you educate yourself, staff up the provide excellent advise and service or partner with someone who has, be actively involved in all steps of the process from sales to claims, and always do what is in the client's best interest.

A few thoughts in conclusion: The key to success in long-term care insurance sales is your commitment to the importance of the product. That commitment is evidenced not only by what you say, but also by the fact that you and your family members own long-term care insurance.

In addition, your mission is to tell your story to everyone who will listen and to provide advice that is always in the best interest of your clients. If you do these things, your success in long-term care insurance sales is very likely.