Turn Your Long-Term Care Appointments into Six-Figure Sales

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Any planning, product, or service that supports the needs of the senior population over the next 25 years will be big business. We are at the edge of the largest expansion of a senior population in the entire history of mankind. When we blend the demographics of our aging society, the extension for life expectancy, the drastically reduced ratio of workers to retirees who depend on Social Security for their income, the national debt and its effect on entitlements, and consider the fact that as many as one half of all seniors will require some level of care, we find ourselves in the perfect position to specialize and capitalize in comprehensive Long Term Care financial planning.

There is a desperate need for guidance, direction, and the very planning and products that the Insurance and Financial advisor of today can provide. We have the power to save people's lives financially, with products that provide the money to pay for care and to protect assets, like Long Term Care insurance as well as Life insurance and Annuities with Long Term Care riders.

We also have the Annuities, which are the only products that guarantee a lifetime income, to provide the money so that a person can receive care at home, where they want to say, forever, or the money to pay for assisted living, residential care, or for a private room in the facility of their choice. We also have the ability to shelter assets for the benefit of a spouse or children, avoiding impoverishment if a loved one is in a nursing facility and Medicaid comes into play.

We create the "financial plan of care" that supports the "medical plan of care" for the entire "continuum of care."

Life expectancy throughout the history of mankind has been a mere 25 years of age. However through improvements in infant mortality as well as medical technology, life expectancy is at an all time high, with some insurance companies using age 104 as the life expectancy for a female age one life insurance policy. And it's not uncommon for a Long Term Care planner to create a financial plan for individuals that are well into their seventies, eighties, or even nineties. In fact, if a seventy-year-old female requires

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a plan for care, the Social Security mortality table, which becomes the benchmark for planning, indicates that income will be required for an average of 15.35.years.

Additional concerns in the United States are directly related to the drastically reduced ratio of workers to retirees who depend on Social Security for their income. The ratio of workers to retirees has reduced from 45 to 1 in 1940 to 4 to 1 in 2004, and will be 3 to 1 in 2025. And of all of the people who have reached age sixty-five in the entire history of the United States, two thirds are still alive today.

By 2011, the first baby boomers, who were born between 1946 and 1964, will reach age sixty-five, and there will be 78 million of them. By 2020, there will be 100 million people over age 65 in the United States, nearly triple the number there are today.

It's estimated that 33% of men and 50% of women will actually spend time in a nursing facility. It's estimated that as many as 50 % of the senior population age 85 and above have some form of irreversible dementia such as Alzheimer's disease, an epidemic according to the center for disease control. And now, the Long Term Care insurance industry now tells us that, on average, each person who has received nursing facility benefits has previously received eighteen months of home care.

Home care, when arranged through a home care agency, will cost about $16 per hour on the low end, about $26 per hour on the high end, and is usually packaged in four hour minimums. An average of $20 per hour at the four hour minimum equals $80 per day. times eighteen months equals $44,000. At eight hours per day, the numbers double to $88,000. At twelve hours per day, the numbers triple to $130,000. And assisted living, at $150 per day, is $55,000 per year, which will double to $110,000 per year with 5% annual inflation over the next fourteen years.

In the State of California, MediCal which covers in excess of 60% of all nursing facility beds at any given time, tells us that 50% of nursing facility stays are less than 100 days, which would be covered by Medicare if skilled; 10% stay longer than five years, which is normally a cognitive impairment claim, such as Alzheimer's or dementia, with the average stay running 2.9 years. And for every person in a facility, there are three outside of a facility with the same level of disability.

In California, the average private pay rate for a semi private room is $4,477 per month: 2.9 years times $4,477 per month equals $156,000; 5 years times $4,477 per month equals $269,000. This is what the cost of care today is and does not take into account the effect of supply and demand in the future. And inflation, one of the largest risks our seniors face today, could easily double these numbers in 14 or 15 years.

Have you ever stopped to think where the money will come from to pay for this?

It's estimated that less than half of all the people in the United States have any Retirement Plan at all; and fewer than 75% of Americans have enough savings to cover three months of living expenses. The maximum monthly Social Security check for full retirement benefits at age 65 is $1939. But the average monthly retirement check received by 47 million people today is $955, which is reduced by the Medicare Part "B" premium, will also be reduced by the new Medicare Part "D" prescription drug premium, and possibly taxed at 50% or 85% based on the amount of income and tiered income tax rates.

Medicaid and MediCal do not cover home care, assisted living, or residential care, and will only cover an individual with limited countable assets in a nursing facility.

All of these facts, figures, and statistics create the Golden Opportunity for the Advisor today.

Remember when we started in the life insurance industry? We were trained early on the importance of developing centers of influence, to develop relationships with Attorneys, CPA's, and other professionals and to refer customers back and forth. Doesn't it make sense to develop those centers into a Power Partnership that delivers all of the products and services your client needs; then to synergize with your Power Partners to develop the perfect blueprint for the ultimate plan of care.

We have identified the products and services that our clients need, and where to get them.

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They need an Elder Law attorney--not just an Estate Planning attorney, but someone who is a member of the National Academy of Elder Law attorneys and has developed a deep understanding of the unique needs of the elderly, including durable powers of attorney with gifting provisions, and health care directives that determine how and where a person will receive personal care, at home, in assisted living, as well as in the hospital or in a nursing facility. This is an attorney who understands Medicaid or MediCal, to recognize when they can be used as a tool to reduce or eliminate nursing facility bills, and how to address the issues of Medicaid or MediCal estate recovery.

The Elder Law attorney is the number one team planning partner. Together, with legal work and a financial plan, we make promises come true for our clients.

A Medical Transportation Company can provide transportation, free of charge, to and from the doctor's office when they can no longer drive. A Home Care Agency can provide geriatric care managers who can assess the needs of the client, draft a quality plan of care, and supervise the caregivers on a regular basis, and better yet, follow the patient into the nursing facility should that be required, to serve as their advocate by working with the staff of the facility to see that proper care is administered and that prescriptions are correct.

A Durable Medical Equipment Company can provide oxygen, hospital beds, and wheel chairs.

A Reverse Mortgage company can provide the resources to pay for care and keep an individual in their home, or to fund an annuity that guarantees a lifetime income to keep an individual in their home forever.

A Realtor whose experience is compatible with seniors can provide an experience that is transitional, as opposed to transactional, for when a person can no longer manage going up and down the stairs, no longer needs a large house because the children have moved away, the spouse is deceased, or they want to move into a safe and secure senior community with the balance of their assets structured like a pension to supplement their retirement or to pay for care.

An Assisted Living Facility that is comfortable, and fun can stimulate the resident through interaction with others such as social activities, dining, church services, and outings. A Nursing Facility that is comfortable and convenient for the family, that is convenient to doctors they are familiar with, and the hospital they like, and will accept Medicaid or MediCal, or those who provide specialized care for dementia or Alzheimer's patients.

A Final Expense Planner. Doesn't it make sense to have senior clients decide which services and arrangements they want at the time of their passing? Wouldn't it relieve the family of awkward and expensive decisions at an emotional time? And it's also an allowable way to spend down assets without any penalty period to qualify a person for Medicaid or MediCal.

We become the Financial Advisor that serves as the quarterback, to pull in all of the players as necessary. When you develop this level of relationship with your client, they will go nowhere else, and you become highly referable, which is critical to the development of your business.

For the families we serve, we call this their Senior Advisory group; but for the planners and advisors in our industry, we call this your Power Partnership.

We have invited our Senior Advisory group and Power Partners to sit at our conference table once per month to discuss cases. We rotate allowing each partner the opportunity to show case their business.

The advisory group, which has been nicknamed the "A-Team" is now promoting a one-call-does-it-all brochure which is distributed to senior all around our area. One of the best features of the group is that it generates free referrals, which means less wasted money on seminars and newspaper advertisements to grow your business.

Why would you limit yourself by only offering Long Term Care Insurance? With the exception of our group long term care insurance sales, which are guaranteed issue, half of our applicants are declined or rated, and people always object to the premiums. Wouldn't it be better to have a product in your financial tool kit to address every situation for the entire continuum of care? Wouldn't you feel better as a planner starting with a discovery meeting,

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really exploring the needs of the prospect, and providing the perfect solution regardless of their insurability.

Let's put this in dollars and cents. Would you rather earn 6% commission on a $100,000 premium or 50% on a $3,000 premium? Is it $6,000 or is it $1,500? The answer is both, because there is a place for both.

By using the continuum of care, and visualizing planning options for the healthy and insurable to the advanced aged and uninsurable, you can discuss planning solutions regardless of their insurability, even if they are already receiving care.

We have discovered that many family members, particularly adult children in their 50's and 60's with aging parents, become concerned about Long Term Care. They start to realize that if something goes wrong, their family may end up spending their entire life's savings for care, and then what?

Actually, the adult children are the perfect prospects to discuss planning for the family because they may be eventually supervising their care. The adult children need to be part of the planning process, so they know nothing is going on behind their back; that the goal of planning is to assure that Mom and Dad will receive the best care possible under every circumstance, and that a plan is in place to preserve assets for the benefit of the family.

And it's not uncommon for the adult children to eventually ask, "Should we be looking at planning for ourselves?" Statistics support the fact that you should. Planning costs less at a younger age, and your health history is usually better. And while the concerns maybe very much the same for the healthy and insurable, as opposed to the advanced aged and uninsurable, the solution to the problem may be very different.

The continuum of care helps a prospect to visualize what their best planning options are now, and which choices will be, or may not be, available in the future. For the healthy and insurable, this may be a quality tax qualified long term care insurance policy that provides sufficient nursing facility, home care, and inflation protection to cover a substantial claim and to protect assets for the family's independence. It may be Traditional Long Term Care insurance or perhaps an indemnity policy as opposed to a reimbursement policy that can serve as a disability income backup for a younger applicant who would need extra money to pay living expenses if they were hurt, or a cash benefit feature to build upon a disability income contract for a professional who has maxed out the quantity of disability income protection they can buy, or Medicaid or MediCal asset disregard features, and Estate Recovery credits in the States that have Partnership Plans.

Some people have accumulated enough wealth to privately pay for care, but appreciate alternative solutions that limit their liability such as Life Insurance with Long Term Care features. These contracts accelerate the death benefit prior to death to pay for Long Term Care or provide Long Term Care benefits through a series of riders.

An example would be a single person or a married couple repositioning $100,000 into a single premium whole life or survivorship whole life insurance contract that more than doubles the deposit as life insurance or for long term care. This example would provide $150. daily or up to $4500 monthly for 50 months for one, or up to $9000 per month for 25 months for both at the same time, plus the added benefits of tax deferred growth, 4% minimum guaranteed interest rates, and a death benefit if the values are not used up, plus no on-going long term care insurance premiums.

Another alternative would be to use annuities with long term care riders. Certain contracts even triple the deposit through riders to pay for Long Term Care e.g.,

$50,000 generates $150,000 for care;

$75,000 generates $225,000 for care;

$100,000 generates $300,000 for care.

And if the long term care benefits are never used, the client still has a fixed annuity with tax deferred growth and guaranteed interest rates.

Many times a family is referred into the office after their health history has become too complicated to qualify for Long Term Care insurance that is medically underwritten. Maybe they have applied for and been declined for a Long Term Care policy; or they think that it costs way too much money. The simple reality is that at the instant

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of a Parkinson's, multiple sclerosis, or a cognitive impairment diagnosis, they will never be eligible for a medically underwritten Long Term care policy. The way we see it, planning for the insurable is easy because of the wide variety of long term care insurance products available; and easy for those in a nursing facility, because Medicaid can be used to reduce what is paid for care, or eliminate what is paid for care.

But planning for the uninsurable, who need care at home, in assisted living, or a residential care facility is not easy.

With the exception of very rare benefits from Medicaid, very few benefits from Medicare and Supplemental plans, there simply is not an entitlement in the United States that pays for home care. And where does everybody want to stay when they become ill? At home naturally.

Care provided in the home is usually provided by family and friends. When that no longer works due to inconvenience or caregiver burnout, care is arranged through a home care agency on a privately paid basis. Most families, particularly of advanced age don't know what to do, where to turn for help, or how to arrange for care. Some have the money to pay for care, some don't. Some have a house that is paid for, but no significant savings. Families need the guidance, they need direction; they need the Financial Advisor to help them.

Why not a consolidation of assets into a checking and a savings account with the rest in a single premium immediate annuity under monthly distribution to pay for care at home or in assisted living facility? Perhaps a lifetime settlement option that guarantees an income as long as a person is alive. How about a medically underwritten immediate annuity, with a lifetime settlement option, that requires a smaller deposit due to a serious health issues.

Or, a reverse mortgage that funds the medically underwritten annuity, with a lifetime settlement option if there are no other assets besides the house.

Use creativity to develop the plan they need and to solve their problem regardless of their insurability. Even a person of advanced age with multiple health complications can use a medically underwritten annuity at a discounted rate to guarantee a lifetime income to pay for care at home.

Most people believe they will never go into a nursing facility and come up with silly statements to avoid the discussion; however statistics support the fact that as many as one third of the men and one half of the women of this country will go into a nursing facility ;

50% will stay for less than 100 days,

10% will stay longer than 5 years,

With an average stay of 2.9 years.

For many, the transition occurred in a way that they didn't expect. It was sudden!

The number one reason is a stroke, but it could be a bad fall with broken hip, or even the flu or pneumonia that lead them into the hospital followed by a discharge plan leading directly into the nursing facility. The support services they required were simply not available at home.

Another example is when the caregiver has reached extreme burnout and can no longer manage physically or cope mentally. A facility can provide the respite care to save their life.

Most families have never been into a facility and have a preconceived idea about poor care, food, and cleanliness. It becomes a part of our job as planners to help families recognize the value of a nursing facility under curtain circumstances, that it can be a positive experience, as opposed to a negative experience, a place where a patient is supervised, prescriptions are administered, physical therapy is provided, and there are social activities.

The facility frees up the caregiver to regain control of their life, and allows for quality time while visiting with their family as opposed to the care giving responsibility. And it's the family's choice when it comes to which facility they want. They can select the facility they are comfortable with. The key to quality care in a facility is for a family member to be there on a regular basis to serve as an advocate. If the staff knows that the family arrives on a regular basis, the person receiving care will be up and clean, dressed and looking good, as opposed to a forgotten person without an advocate.

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If it appears as thought a person may eventually require care in a facility, the family and their planner really get down to one of two choices: Pre-planning or Crisis planning.

Pre-planning allows for thoughtful consideration of all the factors, and provides sufficient time to prepare an optimum plan. Crisis planning reduces choices, usually costs more money, and can lead to a conservatorship where any chance of preserving assets for the family is eliminated. This is particularly true when inadequate legal work or no legal work has been done and mental incapacity comes into play.

Financial planning in advance increases the likeliness that money will be there to pay for care or that a plan has been established to shelter assets. And if they live in a state that considers assets as opposed to income in determining Medicaid or MediCal eligibility, a financial planning opportunity presents itself that can reduce what a family pays for care, and eliminate spend down altogether if a nursing facility comes into play.

So let's build a hypothetical case and explore our planning options.

Our example includes a married couple, Mr. and Mrs. Smith, who are both age 70. Mr. Smith is already in a nursing facility. He has exhausted his Medicare Part"A" skilled nursing facility benefit and probably will not return home to restore it. They are privately paying the monthly bill of $5000 plus all prescriptions. They own a house, which is paid for and is their residence in a nice neighborhood. They own a new car which they paid cash for, they have comfortable furnishings, an irrevocable pre-paid final expense plan, they also have $297,100 in non-qualified savings and $200,000 in IRA accounts.

They both have a Medicare supplement policy plan "F" which offers full benefits except for prescriptions, which are not covered. They pay $152 each, for a total of $304 per month for the policies. They also have a combined total monthly income of $3000.

If the family were to consider Long Term Care financial planning in conjunction with Medicaid or MediCal, they could potentially reduce their nursing facility bill to $1,500 per month or less. Here's how it's done.

First we draw a circle that represents the estate of the family.

Medicaid or MediCal would look at assets to determine eligibility, and income to determine share of cost. Inside of the circle there are exempt assets including the house, furnishings, the car, the irrevocable final expense plan, and $1500 of cash value life insurance. The IRA accounts are exempt if under Required Minimum Distribution.

In addition, $2000 are allowed in the name of the spouse receiving care, and $95,100 are allowed the name of the spouse not receiving care creating a total of $97,100 of exempt assets. Remember in our example that the combined non-qualified savings were $297,100, which exceeds the community spouse allowance by exactly $200,000.

The planning choice is to spend the $200,000 for care, and then apply for Medicaid, or to reposition the $200,000 into a Single Premium Immediate Annuity in the name of the healthy spouse with a settlement option that distributes the money monthly for a period that does not exceed the social security mortality table.

The settlement option and distribution is the absolute key in this type of planning. In a community property state there are no penalties for gifting between spouses. In a non community property state, sufficient assets may need to be kept available to pay for care during any Medicaid disqualification period.

As a warning, it is critical that an annuity is purchased as the last step in the planning process. All standard exemptions need to be funded first, for example, pay off the mortgage and/or any delayed maintenance, pay off all credit card debt, purchase a final expense plan, and have all legal work done.

You must also take into consideration any fees or penalties, and taxes due on any appreciated assets and pay them prior to the repositioning any money into an annuity.

It is also absolutely imperative that the spend down does not offend Medicaid and MediCal rules so as to avoid any disqualification period. This generally means that gifting, selling for less than fair market value, or trans-

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ferring out of the estate during the 36 month look back period for Medicaid or 30 month look back period for MediCal, will trigger a period of ineligibility.

In California it works like this.

Let's discuss an $11,000 gift, which is permitted by the IRS with no tax consequences.

If the gift were made in June, and the same person applied for MediCal in July, MediCal would take the $11,000 gift, and divide it by the monthly average private pay rate which is $4477 to determine the disqualification period. In this example, it would be 2.46 months, which is dropped to the whole number or 2 months. The person would be disqualified for the month of the gift, the following month, and could apply for benefits in September. The larger the gift is, the longer the penalty is.

For these reasons it is important not to participate in this type of planning unless you completely understand the process, and/or work with a qualified Elder Law attorney who does.

An annuity does not create a period of ineligibility in a community property state, nor is it subject to a look back period penalty. Since the owner did not gift, sell for less than fair market value, or transfer out of the estate, they still own the money and have only changed the way it looks.

The value of a deferred annuity would still be subject to spend down. However, if a single premium immediate annuity were purchased, or if the deferred annuity were annualized, and the distribution did not exceed the applicant's life expectancy according to the Social Security life expectancy chart, it would become an irrevocable stream of income. For these contractual reasons, we have converted assets above the community spouse resource allowance into an irrevocable stream of income and eliminated spend down.

A typical question at this point in planning is where does the money go if the owner dies?

To the beneficiary designation on the annuity.

Income calculations are done in one of two ways. First is a blended calculation of the total of all income for a married couple. There is no such thing as separate property in this type of planning. Remember that the Smith's income was $3000.monthly. If they applied in California, MediCal would start with the $3000. They would then subtract the minimum monthly allowance for the community spouse, which is $2378, which would leave $622. From that, they would subtract a $35 personal needs allowance, and a credit for the health insurance premium, which was $152 for the person receiving care. This calculation determines the monthly share of cost, which is $ 435.

Since we repositioned the $200,000 into a Single Premium Immediate Annuity, we must also add the monthly distribution to the calculation which in this case is $1065. $435 plus $1065 equals $1500. This is the total amount paid to the nursing facility monthly. A savings of $3500. per month, and the elimination of all prescription drug bills.

The second calculation would be based on the name on the check rule. This means that if Mrs. Smith were the one receiving care, they could elect to base her share of cost on her Social Security of $500 minus the $35 personal needs allowance and a $152 credit for her health insurance premium, making her share of cost $319 for the month. The annuity could be owned by Mr. Smith, and the community spouse can have unlimited income.

The calculation for a single person is total income including annuity, minus the personal needs allowance, and the health insurance credit, equals the monthly share of cost.

Obviously if the fixed income of an individual is higher than the cost of a nursing facility, this is inappropriate planning.

Now a typical question arises about a living trust. A revocable trust does not protect assets against Medicaid or MediCal spend down, nor does it protect assets against Medicaid and MediCal estate recovery. With a living trust, you can put things in, and take things out.

Medicaid and MediCal know this, and require a person to take assets above the normal allowances out of a trust to spend on care. If a person goes onto Medicaid or MediCal either because of impoverishment or because of sophisticated planning designed to reduce share of cost and to

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protect assets for the family, it's important to recognize that there may be a repercussion. Both Medicaid and MediCal reserve the right to attempt to recover from the decedent's estate an amount equal to what was paid for their care.

In most cases, the amount of money saved by the family by paying a wholesale Medicaid rate while living in the facility puts then way ahead financially.

We have discussed various options to solve the Long Term Care planning needs of our prospects and clients, many of which are for the people who you probably thought you could not help.

The planning we do saves the financial lives for those we serve.

We hold the keys to provide the money to pay for care, and to protect the life savings of the families we serve.

We plan so that our clients can enjoy a better, more comfort life in their golden years.