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# LTCL Planning— The Value of Perspective

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## LTCI Planning—The Value of Perspective

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**T**he long term care insurance planning process has to be open and has to start with you, not with a company in mind.

Your health history, your needs, your resources, your culture must be the reality within which LTCI coverage is developed for you.

That can't happen if the process takes place in a one or two dimensional world.

And that is what may happen if you rely on an association, an employer, an affinity group, or an agent who is limited in his or her LTC insurance relationships.

Companies do differ in their underwriting decisions, their products, the cost of those products, their LTCI market experience, and in their financial credentials.

Products can be alternatively structured with very significant impact on present and future costs. Consider the following example.

Assume a couple, both age 60, each in average good health, who need comprehensive LTC insurance coverage with a benefit of \$4,500 a month for each of them. They each want a benefit period of at least four years and are financially comfortable with a 90 day elimination period.

On those facts alone and depending on the company quoted to them, the *total* current annual cost could be \$1,386, \$1,764, \$1,864, \$1,998 or \$2,173 based on the standard rates of five major LTC insurers as of March, 2006.

Want to hedge the bet and provide for each to be able *to use the other's benefit* should care

be needed for more than four years? The annual premiums could range from \$1,483 to \$2,460.

What about an *automatic* annual benefit increase to provide some protection against inflation in long term care costs? A 5% *simple* annual benefit increase, with the shared care benefit also included, could increase the range of premiums to between \$2,491 and \$3,821.

Make that inflation rider 5% *compounded* annually and the premium range becomes \$3,100 to \$4,944.

Further complicate the issue by the fact that one of those companies builds into most of its policies an *option to purchase* 5, 10 or 15% additional coverage without evidence of insurability every three years at the cost for the additional benefit based on your then attained age.

If our couple is only concerned, for post-Deficit Reduction Act planning purposes, about having the LTC insurance in force for the next five years, the most cost efficient choice may be a policy *with* a shared care benefit and *without* an inflation rider but *with* a built in purchase option just in case circumstances change in the future.

The point of all of this is that the planning, *not the policy*, must come first.

But the planning should take place with knowledge of the structural options which are available in the market from those major, financially well-rated LTC insurers likely to provide favorable underwriting for your health history.