Chapter 11

Boomers, Xers, and the Long-Term Care Need

In 2012 the Rolling Stones' Keith Richards pressed his bandmates to tour in honor of the band's fiftieth anniversary. One could've just as easily pointed out that 2012 marked the hundreth anniversary of the sinking of the *Titanic.* Feel free to draw your own correlation.

The Rolling Stones went ahead with their tour, but let's face it—these guys are getting long in the tooth. So are many of their Boomer fans, yet long-term care planning remains far from their thoughts, even when they think about finances.

Getting through to the Boomers has been the greatest challenge of the fledgling long-term care insurance industry, and the key to the future financial success of both Boomers and long-term care insurance depends on better matching them up before advisors everywhere have their "nineteenth nervous breakdown".

One of the primary obstacles is that Boomers still picture themselves as young—their knee-jerk reaction is that long-term care events happen to people much older than themselves. (The cost of two tickets to that Rolling Stones concert could, instead, be a first annual premium for long-term care insurance.)

How best to get their attention on this issue?

Statistics show that today's average purchase age for long-term care insurance is roughly fifty-seven. Boomers. The largest number of applications (over half) is from individuals aged fifty-five through sixty-four[1]. Boomers. The largest percentage of applicants rejected for long-term care insurance—those over the age of seventy. Not Boomers.[2]

Here are some longevity trends that might further motivate this age group to act:[3]

1. The poverty rate among seniors is about 10 percent (lower than the national rate of 13.2 percent), but an additional 25 percent of seniors are near the poverty line, a number which may broaden as a result of rising healthcare costs.

2. More than 7 percent of the age group forty through fifty-nine is classified as depressed. This is not the best diagnosis with which to try to obtain long-term care insurance.

3. Chronic health problems are more than double for folks aged sixty-five and older. Not only do more chronic conditions lead to higher out-of-pocket medical costs, but they can make it more difficult to qualify for long-term care insurance.

4. More than five million Americans are living with Alzheimer's disease in 2014 (almost two-thirds are women), with another diagnosis being made every sixty-seven seconds. As the sixth leading cause of death in this country, 500,000 people die each year from Alzheimer's and other cognitive disorders, including one of three seniors.[4]

These trends all support the notion that, if one wants to defend against future long-term care costs with insurance, the earlier it is purchased the better. Boomers are in the prime age category to purchase this coverage now.

Granted, insurers have not helped themselves much by the messages they send. Long-term care insurance brochure photos of the elderly send the wrong message to this youth-oriented generation. Focusing on disability is also of little value for a group that cannot imagine this scenario. Additionally, complex products are difficult to sum up in a sound bite.[5] This is the USA Today generation, after all.

In her book *Helping Yourself Help Others: A Book for Caregivers*, former first Lady Rosalynn Carter states that there are four kinds of people:

1. Someone who is a caregiver

2. Someone who was a caregiver

3. Someone who will be a caregiver

4. Someone who will need care in the future[6]

If that doesn't describe the Boomer generation, nothing does. They are the first generation of mass caregivers, thanks to the improving medical technology that has facilitated their parents' longevity.

Their experience with the demands of long-term care should make it easier to demonstrate the importance of planning ahead. And Boomers have been very protective of their own children, giving them the best of everything whenever possible. One would think that would extend to keeping their own kids out of a caregiving role if possible.

By and large, Boomers believe that this problem is years away, leaving plenty of time to solve it. Providers of long-term services contradict this assertion, pointing out that more and more of those under age sixty-five have had to access this care because of health problems. In fact, nearly 14 percent of nursing home residents are younger than age sixty-five.[7] And that is the last place a Boomer wants to end up.

Communicating this message to the Woodstock generation is about as easy as it was to get to that concert more than forty years ago. But the message remains—consider it early! A study of more than 250,000 applicants conducted by the American Association for Long-Term Care Insurance found that a large number of people under age sixty-five were likely to be granted preferred rate status, saving 10 to 20 percent from their premium cost, while 25 percent of those between ages sixty and sixty-nine were declined coverage because of an existing health condition.[8]

The most successful way to sell long-term care insurance to this generation has been to reframe the discussion, making it less about long-term care and more about preretirement planning. Here's how:

Time Is on My Side

Many financial advisors today practice life-cycle planning with their clients, creating a plan that addresses the five phases that span an individual's entire financial life cycle:[9]

1. Early career (age twenty-five or younger to thirty-five)
2. Career development (age thirty-five to fifty)
3. Peak accumulation (age fifty to fifty-eight through sixty-two)
4. Pre-retirement (three to six years prior to planned retirement)
5. Retirement (age sixty-two or older)

In the peak accumulation phase, there is usually a point where a long-term care discussion is important. During this phase, discretionary income may be at a high. This money could be used to fund the transfer of the long-term care risk to an insurer while still at an age to qualify and implement a solution with distinct economic advantages.

There are analysts who believe the best way to increase long-term care insurance sales is a reliable and objective financial analysis.[10] Positioning long-term care insurance as part of a life-cycle planning approach accomplishes this strategy. Numbers are objective, and the math which is most compelling to Boomers is that which shows how much money is needed to enjoy retirement in the same lifestyle as their prime earning years.

Long-term care expenses can wreak havoc with the best-constructed retirement plans—unless they are accounted for up front. Manage them, and the program you design for your clients is more likely to stand the test of time.

How to pay for health care is the single biggest concern people have as they approach retirement. One can't be said to be conducting proper retirement planning without factoring in the out-of-pocket cost of health care, which includes long-term care expenses.

Assume you have as clients a couple who has saved $400,000 for their retirement. You have determined that they need to be closer to $800,000 to cover their retirement living expenses to maintain their preretirement lifestyle. They are both fifty years old and just coming into their peak earning years, and they have time to make up the rest.

The problem? This amount covers only your estimate of the expenses needed during retirement when both are well. What about health care costs that slip through the cracks of Medicare and Medicare Supplements? What about the cost of long-term care? Without planning for this contingency, some of that $800,000 will be forfeit to these expenses—which may change the way they both live.

The Employee Benefit Research Institute (EBRI) publishes a variety of retirement readiness and confidence surveys each year. Among their findings in 2014 were that a combined 47 percent of retirees were either "not too confident" or "not at all confident" they would have enough money set aside to pay for long-term care expenses.[11] In a related study, EBRI reported on retirement savings shortfalls—the additional savings required for those on the verge of retirement to safely eliminate future deficits.[12] Of those facing a shortfall, the values for Early Boomers vary from approximately $70,000 (per individual) for married households, increasing to $95,000 for single males and $105,000 for single females. For Late Boomers, the values range from about $76,000 (per individual) for married households, to $104,000 for single males to $112,000 for single females.

Now let's consider the impact of an unexpected long-term care expense (Table 11.1), both today and in the future. Where will this money come from? Health and long-term care costs can derail many a solid retirement plan. Is this what Boomers want to hear?

Even while working, many Americans are blindsided by health care costs. According to EBRI, 32 percent of working Americans contacted had to decrease their retirement plan contributions

Table 11.1. Forecast Long-Term Care Costs[13]

	1 Year of Care	*3 Years of Care*	*5 Years of Care*
Cost today	$77,380	$232,140	$386,900
In 10 years	$103,992	$311,977	$519,961
In 20 years	$139,757	$419,271	$698,784

because of higher-than-expected health care costs. Moreover, 57 percent of these workers slashed contributions to other savings; 22 percent had trouble paying for basics like food, heat, and housing; and 38 percent reported difficulty paying other bills.[14] How much worse will it be for these workers when they're retired!

Okay, now that you have, in Rolling Stones parlance, "painted it black," it is time to introduce a solution to the long-term care cost part of the equation.

Our preceding couple is $400,000 short of the advisor's recommended retirement savings; adding a potential long-term care impact (from Table 11.1) could easily add another $400,000 apiece. This leaves them about $1.2 million short and with not a lot of time to raise it. No wonder 15 percent of workers surveyed in 2014 planned to push back their retirement date—almost always for a financial hardship reason. When asked to target an age, 22 percent of workers say they expect to work to at least age seventy.[15]

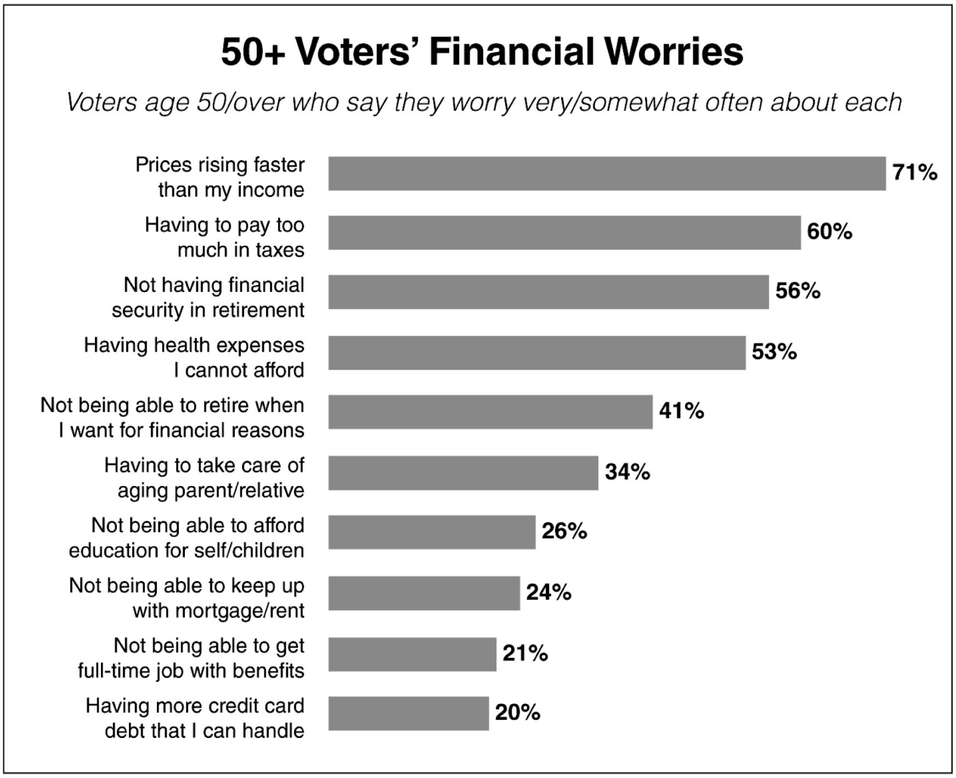
Now you have the Boomers' attention.

But what if you could alleviate their concerns about long-term care costs with an insurance policy? If they are comfortable with $400,000 apiece, you could design a plan for them beginning with that amount of coverage—and increasing annually with an inflation option—for a combined price of about $3,000 per year. The exchange of a reasonable, certain, periodic premium ($3,000) for an increasing benefit that starts at $400,000 immediately is not just asset protection—it's unparalleled leverage.

More important, you have downwardly adjusted the amount of retirement money to be raised from $1.2 million to $400,000 or so—for a fraction of that cost. (And what money remains can be invested more aggressively, since it's no longer earmarked for long-term care expenses.) Now that's an "Emotional Rescue."

Boomers like to think they can do it better themselves and have learned to mistrust the insurance industry over a lifetime. But where else can you invest $3,000 and immediately have a total of $800,000 at your disposal if both parties need care? Insurance is fully funded from the start (not counting the increases one will receive from the inflation option), an often-overlooked advantage that you can't stress enough.

Figure 11.1.



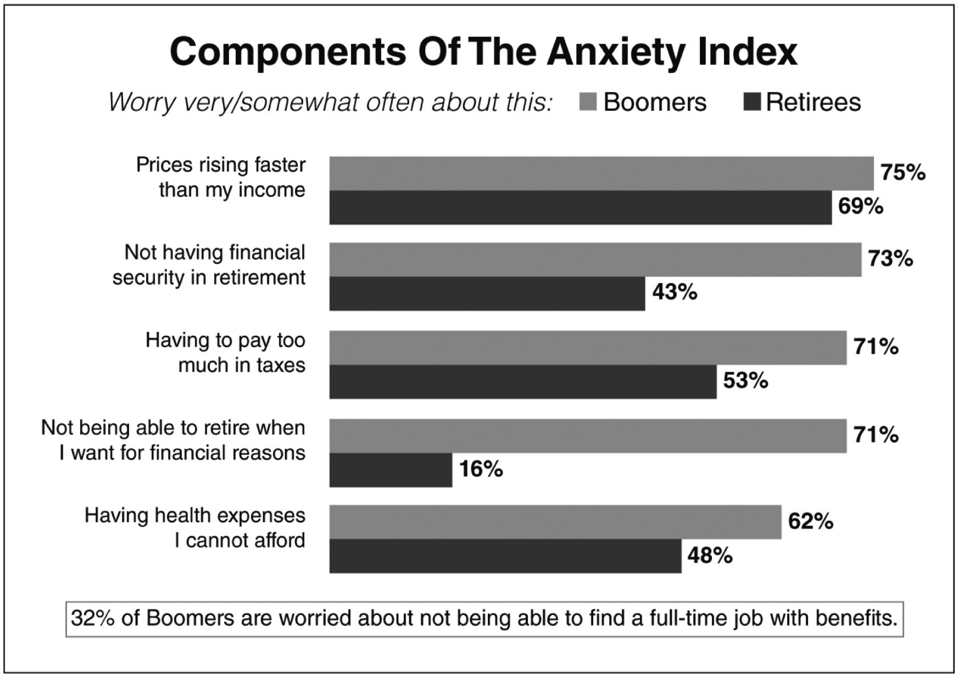
With the retirement conversation approach, you have literally marked a turning point in the discussion with the client. Today, retirement is seen as a financial hurdle that seems impossible to surmount before the age is upon us. People are postponing retirement or working in some way to bring in enough income to make it work. It is not their parents' retirement, that's for sure.

Confronted with the amount of savings needed for a secure retirement, the fiscal mountain seems too high. But, with one purchase, a nice chunk of dollars that had to be set aside can disappear. Risk transferred.

Concerns about retirement have always been with us. But which ones are top of mind, and the degree to which we experience anxiety, shift over the years. In 2012, AARP conducted a survey of 1,331 voters over the age of fifty.[16] In figure 11.1, we see the anxieties which are most prevalent:

Next, the researchers assigned an anxiety scale (0 = none, 100 = maximum) and asked five questions of their respondents to gauge which ones caused the most concern. Figure 11.2 shows their replies:

Figure 11.2.



It's critical that we translate the following concepts to our Boomers clients:

1. The younger they are when they purchase the coverage, the less expensive the policy will be. In addition to buying it at a younger age, the opportunity to take advantage of a preferred risk discount is much greater, further reducing the price your client will pay.

2. The younger they are when they purchase the policy, the easier it will be to qualify for coverage. Postponing the decision not only fails to save money in the long run, it puts your clients' insurability at risk. It is not worth the gamble to possibly lose the insurance option if they aren't healthy enough to buy it in the future.

3. Plan design elements can help keep costs down considerably. One couple I worked with was set on the amount of long-term care insurance coverage to purchase—until they saw the price tag. It was about $2,000 more a year than they had budgeted. No reason to panic; by altering some of the coverage options, the price came down to what they could afford without sacrificing many of the benefits they wanted. You can do many things on this front. (See Part 4 on products for more details.)

I'm Glad I Opened Your Eyes

It won't be easy. You would think that the hands-on caregiving many Boomers have participated in would be enough to send them to their financial advisors to figure out a way to be better prepared for their own futures.

Not so! Baby Boomers overwhelmingly report that the caregiving experience taught them the consequences of being unprepared; however, few have done anything about it. Further, Boomers recognize the family's financial and emotional burdens in the face of a long-term care event, and they value highly what long-term care insurance can do to alleviate these burdens. But they frustratingly haven't taken the actions necessary to secure this coverage.[17]

The study goes on to evaluate situations in which their parents had long-term care insurance and the effect it had, according to the Boomer:

- Eighty-four percent said the insurance lessened the family's contribution to care.
- Seventy-seven percent said it reduced the time family members were required to provide care.
- Seventy-six percent said it increased the quality of care.
- Seventy percent said it preserved the parents' nest egg.
- Sixty-six percent said it helped them focus on their own financial goals.

But, despite this direct evidence, they are not rushing out to buy the long-term care insurance they obviously value. You can watch *CSI,* but that does not make you a forensics expert. And the actual call to action here requires a monetary outlay. Easier said than done.

This disconnect comes down to a couple of factors: the need to act *now* (why do today what you can put off until tomorrow?), and the concept of purchasing a product they may *never* need (even though it's obviously a lifesaver in the rare event they do need it). The need to act now has been previously addressed (rates go up every year you do not lock them in, and a sudden change in health can not only permanently raise your rates, it can flat-out render you uninsurable).

To address the objection that, "I may never need it," it's best not to counter with statistics. If you tell someone the odds are 70 percent that they will need some long-term care after age sixty-five, they will naturally presume to be in the 30 percent who won't. You'll just knock heads. This is the problem with all statistisics, really. Instead, a better approach is to counter with, "I never said you would. In fact, you probably won't. But have you considered the *consequences* to your family if your ability to provide for them were compromised?" You see, it's not a discussion of risk, or the odds of care (which you can't win). It's a conversation about consequences. If your client loves his family, he cannot accept the consequences and will want your help to create a plan to keep him safe at home without burdening them. (LTC insurance is not the plan—it merely funds the plan.)

Boomers' insistence on being the healthiest generation in history makes a good case for them to plan ahead for long-term care costs. "With increased longevity and advances in medical science, Boomers will be exposed to more chronic LTC expenses."[18] A longer life is potentially both a blessing and a curse. Boomers talk a lot about aging with dignity. Having a source of income for long-term care expenses enables that to happen.

The idea of preparing early may well jibe with what Boomers are discovering about their own parents' situation when the caregiving call comes. Caregiving Boomers find serious debt when they take over the checkbook. Caregivers spend an average of $8,000 of their own money when providing care for their loved ones. And almost 60 percent of caregivers have to cut their own discretionary spending due to their responsibilities (e.g., eating out, buying new clothes or buying a new car).[19] They do not want to replicate this situation with their kids; there goes the dignity of aging.

In fact, the cost of informal family caregiving outpaces Medicaid's total expenditures. About 43.5 million family caregivers provide care to an adult over the age of fifty in the United States for an economic value of $450 billion. (On average, informal caregivers spend around twenty hours per week in this role, while those who live with their care recipient spend closer to forty. They provide an average of 3.6 years of care, with 31 percent providing care for five years or more.)[20]

Living through the experience of caregiving should guarantee a conversation about planning ahead for long-term care expenses for your Boomer clients. Remember some of the axioms mentioned previously and you may be able to turn that into a sale, if suitable.

You Can't Always Get What You Want

When working with a Boomer client, remember that there are two and perhaps three subsets of this generation.[21] They are at different points in their lives and will entertain the long-term care discussion in different ways. After all, this group spans eighteen years, from 1946 to 1964. Understanding that painting with a broad brush inevitably fails us, let's divide the Boomers into these subsets:

1. Youngest Boomers (*1959–1964. Cultural touchstones include Vietnam, the Draft, the rise of Feminism, and the assassination of MLK, Jr.*) In 2014, they would be fifty years old at the youngest and fifty-five at the oldest. They are still working, with a long way to go to retirement. This is a good time to purchase long-term care insurance, but discretionary income may be an issue as well as the thought that a long-term care need seems a long way off. Depending on their employment circumstances, they may be good candidates for employer-paid coverage or, if self-employed, a tax deduction

for this policy. These reasons should motivate them to take action today (and save money in the process).

2. Middle Boomers (*1952–1958. Cultural touchstones include the McCarthy era, the Cold War, the rise of the Space Program, the National Highway Program and the move to the suburbs, the beginning of Civil Rights, and the assassination of JFK.*) These are fifty-six to sixty-two-year-olds who are suddenly serious about their retirement planning. Putting aside the money they have been able to build up so far, and protecting that and their future earnings are important to them. Long-term care insurance is just such a protection as well as (as outlined earlier) a vehicle that can reduce the amount of money needed for retirement.

3. Leading-Edge Boomers. (*1946–1951. Cultural touchstones include the Cold War, the Korean War, a Post World War-II patriotism, beginnings of suburbia, self-sufficiency derived from Silent Generation parents.*) This is the sixty-three to sixty-eight crowd, virtually or actually already in retirement. The oldest number nearly three million. Medicare is already feeling the impact of their arrival. Social Security is next. Already 22 percent of them own long-term care insurance.[22] And 74 percent are aware of their ability to apply for a reverse mortgage, a financial strategy that has been affected by the Great Recession. Long-term care *should* be front and center for them. Their net worth average was around $250,000 just three years ago, potentially vulnerable to long-term care expenses if no advance planning had been done. The premium will be higher, but on the whole this group is more affluent than those behind them. Their health may be the major obstacle to buying this coverage once you have determined that they are suitable prospects.

This is the generation that wanted it all, and that feels it is the most impactful group in history. Modest they are not. Some humbling lessons await them if some serious financial planning is not being done—today.

Part of this planning is addressing long-term care needs. For you, the advisor, there are many ways to start this conversation. Historically, it has been much harder to end it. Many Boomers are willing to roll those Tumbling Dice rather than be proactive about this need.

Their personal experience and recent rocky economic times are good reasons for Boomers to take this issue to heart. They are too large a group to hope to fall back on the public programs that might reimburse for long-term care expenses. Taxpayer money cannot support the full scope of needs for these aging rock and rollers.

The X Factor

Call them the Baby Bust generation—only because of their size; they are as small as the Silent Generation that came between the World War II and Boomer generations. In other ways, they are more financially savvy than their Boomer predecessors.

They feel they must be. They understand the burden the Boomers will place on entitlement programs. They know they can't count on these programs existing by the time they reach retirement age. They are relatively conservative in their spending and saving habits, a pragmatic approach for those who believe they will be on their own come retirement crunch time.[23]

The leading edge of this generation is already age forty-nine and more concerned about their financial planning. A Generational Financial Confidence Study done in 2010 found that the Generation Xers are ready, willing, and able to talk with financial service professionals. The Great Recession also left a mark: 74 percent of them agreed that a financial plan is a priority.[24]

They are also hands-on in their involvement with their financial plan. They are avid Internet users and they pull a lot of information from that vast resource.

This is a good thing. Their education demonstrates that they have three significant options when it comes to financing long-term care expenses: insurance, themselves, and Medicaid. They will likely discount Medicaid because the Boomers will have raided that store first. That leaves self-insurance or transferring the risk. What do you think?

Beginning to consider long-term care insurance in the mid-forties is a good way to handle the premium and underwriting issues that affect older prospects. I met for the first time with a forty-six year old Xer who was a potential client. She was motivated to look into long-term care insurance for the simple reason that she had seen her mother experience the need for such care and how much money was spent. A single mother, she had little support in the way of potential caregivers. But her real sense of urgency lay in the understanding that, if she bought the product now, it would be both attainable and affordable because of her excellent health.

She is not the only Xer with that worldview. This is a potentially strong market for this product because it is part of the personal responsibility mantra that this group takes seriously.

Social Networking

Are you on Facebook? LinkedIn? Twitter? YouTube?

If not, you should be. These are today's marketing vehicles. They are widespread and potent communication tools that, used wisely, can boost your awareness, image, and sales.[25] Social networking is virtually the primary way to connect for the Y or Millennial Generation coming behind the Xers. If you want to reach this crowd, these avenues are the way to do it.

Used properly, social networking can be a terrific communication resource. It's not only kids who use it, either. Not only are the middle-aged and seniors the fastest-growing demo on social media[26], but 84 percent of consumers over sixty-five are already surfing online.[27] As with any traditional marketing strategy you'd employ, it's wise to ask youself, "What are my goals? How do I expect to measure success? On which platforms can I find my customers?"

Blogs are another way to create a demand for your product or service. A long-term care blog that you post to regularly so your friends can read it will keep the idea in front of them on a continual basis. You can answer questions, comment on the news of the day, and link to your main site and increase its Search Engine Optimization (SEO). It's easier and cheaper than direct mail, but the objective is the same: get the message out often, because you never know when someone reading it will respond. People can read or skim over your first twelve blog entries, and then they'll discover the thirteenth just after a long-term care event has occurred in the family. Now it's personal, and the education you provide takes on a different meaning. But without a consistent message out there to be read, it is a prospect you might have missed.

The nice thing about blogging is that you don't suffer the MySpace effect: meaning that you're not reliant on the success or failure of a third party which hosts your content. Should Facebook suffer a similar collapse, many brands would suffer. On the other hand, there are already forty-two million blogs updated by 500,000 posts each day so it can be difficult simply getting discovered among the crowd.[28] One great way to get started establishing your expertise is by commenting on *others'* blogs. Use your real name, post frequently, thoughtfully and courteously, and your hard work will pay off.

Thanks to the power of social networking, you can work with clients all over the country today. Webinars, discussion sites, chat rooms, podcasts—all of these are ways to increase your visibility. There is always plenty of news in long-term care from which to assemble material to share on a regular basis. Long-term care sites are on the Internet, you just have to look for them. Post comments regularly and people will come to think of you as knowledgeable on a subject.

What's ahead for you with the Y generation? For one thing, numbers; there are more than seventy million of them, rivaling the Boomers in size, plus they spend $200 billion a year. Want to sell to them? Most important to this generation are competitive cost, good quality, fast service, and that the buying event be an experience of some kind.[29] They are exactly the kind of future long-term care insurance buyer you want to serve.

If you are already on the social media networks, great. Take advantage of the potential power of reaching hundreds of people with your long-term care planning message fast and regularly. This is the future of sales.

Women on the Verge

What is a woman's worst fear after age fifty?

If you said "how they look," a recent Facebook/Twitter informal survey revealed a far different concern. It was clear that women who are out there working, taking care of their families, and contributing to their communities in meaningful ways had something more significant than wrinkles on their minds.

Their most common worry: fear of not having enough money as they age.

Many have not saved much for retirement. Raising kids in a post-divorce, post-layoff world is a financial struggle for many. A number of women don't think they will ever be able to retire.[30]

Making matters worse, women have the largest potential long-term care problem. Here's why—compared to men:[31]

1. women live about five years longer;
2. women are far more likely to reach age eighty-five;
3. women over the age of seventy-five are far less likely to be married than men (38 percent to 74 percent);
4. women over the age of sixty-five are twice as likely to live alone;
5. women over the age of sixty-five comprise 980,000 nursing home residents (versus men of a similar age, 337,000 residents);
6. women are far more likely to suffer from Alzheimer's disease.

It's not just the odds of becoming care recipients that worries women: it's also their firsthand experience as caregivers which weighs so heavily. An AARP survey reported that more than 60 percent of female caregivers made career sacrifices that included cutting work hours, passing up promotions, or quitting their jobs entirely to accommodate their caregiving responsibilities.

For instance:[32,33]

1. Women who provide care for a disabled or ill spouse are six times more likely to suffer symptoms of depression.
2. Women who spend more than nine hours per week caring for a disabled or ill spouse have double the risk of coronary heart disease.
3. Women may also lose out financially when balancing work with caregiving. Losses average $565,000 in lifetime earnings, plus the loss of Social Security and pension benefits.
4. Female caregivers are more likely to suffer emotional stress, exhaustion, anger and anxiety, depression, reduced immunities, increased substance abuse, and poor physical health, resulting in higher mortality rates than noncaregivers.

5. A healthy sixty-five year old woman has a 67 percent chance of living to age ninety and a 38 percent chance of living to age ninety-five. (In general, women live about five years longer than men, and have ten times the chance of reaching eighty-five.)

6. Women constitute 80 percent of nursing home admissions with their average age at admission being eighty-two. At that age, most of these women are single. Women older than age seventy-five are much less likely to be married than men (38 percent to 74 percent).

7. Compared to men, women are nursing-home confined 50 percent longer.

8. Women are more likely to suffer from Alzheimer's disease.

9. Women provide 60 to 75 percent of all informal (unpaid) care. If you think this is unfair, you're right!

Women tend to view long-term care as a future likelihood far more easily than men. In many of the cases where I've worked with couples, it's the woman who most often has a sense of urgency about the situation.

Still, they rarely initiate the conversation about planning ahead for it. In fact, an AARP survey a couple of years back focused solely on Boomer women talking with their parents about future long-term care needs. The study found that 69 percent of Boomer women have talked with their parents about long-term care issues, but only 40 percent had actually done any planning to help their parents should they need assistance.[34]

And that is their parents! What about themselves? You can bet those lack-of-planning numbers are worse.

Long-term care insurance experience to date makes it vital for financial advisors to focus on female clients. Two-thirds of long-term care insurance claim dollars are paid to women. Chances are good that a premium dollar invested today will be returned during a time of great need in the future. Table 11.2 provides supporting data.

Table 11.2. Distribution of Long-Term Care Benefits by Gender and Marital Status

Claimant	*% of All Claims Paid*
Single Women	38%
Married Women	27%
Married Men	24%
Single Men	11%

What does the scorecard look like so far?

- Women are worried about outliving their money.
- Women are enduring physical, emotional, and financial trauma from the caregiving tasks that typically fall on them.
- Women who buy long-term care insurance tend to be the ones who end up using it.

But this is not the complete picture. You should also know that the U.S. Census Bureau reports that women make up 43 percent of all individuals with more than $500,000 in assets. Women own 53 percent of all stocks. More than 1.3 million women professionals and executives earn in excess of $100,000 annually.[35]

That should be a formula for sales success. Initiate the conversation and you will find an empathetic ear—who likely can afford a long-term care insurance premium to protect herself and her assets. Just remember one thing—as much as LTC is a women's issue it's also much more than that.

Mom's extended care is not *her* issue alone. When it happens it cuts a swath through the family like a tornado cutting through a small town. It sweeps up Dad. It becomes Daughter's issue and Son's issue. Siblings who don't actively participate in the caregiving or the funding still participate by stirring up resentment that lingers for years and helps to rip the family apart. As we've taken pains to explain, caregivers miss time with their own families, too. (By virtue of getting swept into the mayhem, extended family are essentially secondary and tertiary caregivers).

So you see, LTC is not just a women's issue—it's an everybody issue. Extended care impacts everyone. Not only has this been true in the past, but it will become more pronounced as longevity between the genders equalizes. Our messaging must reflect this reality or risk alienating significant markets.

Initial Data Gathering

There are plenty of prospects under the age of sixty-five to talk to about this need. The importance of planning ahead for potential long-term care costs might be the most important discussion you have with a client.

Now that you have scheduled the initial appointment, what types of data gathering should you do?

Remember to keep it conversational. If you decide to start the conversation about retirement planning or focus solely on the need for long-term care, there are questions to ask and data to record to make a proper recommendation. Not everyone can (or should) address this problem with insurance.

Nearly all financial advisors have a data-gathering form they are comfortable with. The model that I use is presented in Exhibit 11.1. The dual goal is to identify assets that need to

Exhibit 11.1. Data-Gathering Form

FINANCIAL DATA			
NET WORTH		***CASH FLOW***	
Assets	**Amount**	**Income**	**Monthly Amount**
Checking Accounts	$_________	Take-Home Pay	$_________
Savings Accounts	_________	Overtime	_________
Principal Home	_________	Bonuses	_________
Other Real Estate	_________	Dividends	_________
Mutual Funds (market value)	_________	Pension Income	_________
Stocks (market value)	_________	Social Security	_________
Bonds (market value)	_________	Interest	_________
Qualified Retirement Funds (401k, IRA)	_________	Other ___________	_________
Roth IRA	_________	**Total Cash Income**	_________
Other Annuities	_________		
Life Insurance Cash Value	_________	**Expenses**	
Primary Automobile	_________	Mortgage or Rent	$_________
Other Automobiles	_________	Food	_________
Personal Property	_________	Utilities/Internet	_________
Other Collectibles	_________	Telephone	_________
Loans Owed To You	_________	Cable or Satellite TV	_________
Other Miscellaneous Assets	_________	Credit Card Payments	_________
Total Assets	$_________	Medical	_________
		Insurance	_________
Liabilities		Alimony/Child Support	_________
Current Bills	$_________	Child Care	_________
Mortgage Balance	_________	Personal Care Services	_________
Auto Loan(s)	_________	Education	_________
		Entertainment	_________

FINANCIAL DATA			
NET WORTH		***CASH FLOW***	
Assets	**Amount**	**Income**	**Monthly Amount**
Credit Card Balances	________	Savings	_________
Student Loans	________	Donations	_________
Other Debts	________	Miscellaneous	_________
Total Liabilities	$________	**Total Expenses**	$________
NET WORTH	$________	**CASH FLOW**	$________
(Assets Minus Liabilities)		*(Income Minus Expenses)*	
TERMS AND DEFINITIONS			

be protected and current cash flow to establish premium affordability. With insufficient assets to protect, insurance may not be the best vehicle on which to anchor future plans. Poor cash flow (but with assets to protect) requires some creativity regarding plan design and how to pay for it to accomplish the planning objective.

The great thing about identifying assets is that you can easily calculate liquid dollars. This is typically the most vulnerable money. Remember that Medicaid will require countable (nonexempt) assets to be spent on care (or converted to exempt form or exchanged for Fair Market Value[36]) to be eligible for assistance. This is also where the Long-Term Care Partnership Program can be stressed, because it was designed to protect income-generating capital. It is an easy connection for a client to make.

Net Worth

Long-term care insurance protects assets.[37] Identification of the amount of assets to protect is a key step in identifying whether there is a need for a solution to the problem of unreimbursed long-term care expenses. For a single individual, if net worth is less than $50,000,[38] long-term care insurance may not be the best solution unless another family member wishes to pay the premium. For a couple, assets of $100,000 or less (not counting the principal home and automobile) generally have the potential to qualify quickly for the Medicaid program.

The presence of a long-term care partnership program in one's state also makes the calculation of net worth important. Generally, one should consider long-term care partnership coverage in an amount equal to the assets one has to protect. The state will provide asset protection equal (in dollar-for-dollar states) to the amount of long-term care partnership policy coverage one uses first. Because Medicaid already excludes assets such as one's home and a vehicle, long-term care partnership plan discussions can focus on identifying and covering the liquid assets. This provides a benchmark number when making long-term care insurance plan design recommendations. More important, this number is easily identifiable to the client, and your long-term care insurance proposal is easier to comprehend because it uses the same value as a total benefit starting point.

Cash Flow

This calculation can help identify the cash surplus (if any) that could be used to pay premiums for a long-term care insurance premium if there are enough assets to protect. Generally, it is recommended that an individual or couple spend no more than 7 percent of their income on a long-term care insurance policy (per NAIC Suitability standards).[39] Remember that benefit design parameters can be altered to fit a client or prospect's budget. Couples applying can take advantage of insurer discounts to help bring the premium down to a comfortable budget level.

You can ask other questions to supplement your numbers, such as:

1. Should a long-term care event arise, would you prefer to receive your care at home?
2. Do you have any family that wishes to participate in the caregiving process?
3. Are you aware of any assisted living facilities in your area?
4. Do you know the cost of care locally for various long-term care services?
5. What health risks run in your family?
6. Have you prepared any legal documents such as a living will or durable power of attorney, both financial and medical?
7. Do you have a place where you store your important documents? Who else knows about your long-term care insurance policy?

There are others, of course, but these deal specifically with the long-term care need. Your use of this information and, of course, the numbers, can help you develop the best strategy for your client with regard to long-term care needs.

Youth Will Be Served

The market under the age of sixty-five is a young one for long-term care insurance purposes. That's a good thing, because age-conscious Boomers now fully occupy the slots at age sixty-four and under. They have heard a lot about long-term care. They have by now developed a few assumptions about it, most of which do not actually involve buying long-term care insurance to protect assets, income, and family members.

You can accomplish a lot by debunking some of these assumptions. You do this by reframing the conversation, much as you did with the retirement planning approach.

For example, many wealthier people do not see the need for this type of insurance because they feel they can self-insure the risk if it happens, and there isn't much of a tax advantage for the premium they would pay for a policy (unless they own a business). But having plenty of financial resources on hand is not the real reason they should consider the policy.

The conversation should be reframed around the consequences should a long-term care event arise. In a time of crisis, do they have someone who could put a coordinated plan of care together? Do they know which home health agency or facility would perform the best? Are they prepared to audit the bills that come in to be sure they are correct? Are they comfortable paying more for their care as a private-pay patient than what the insurer could negotiate with the long-term care provider?[40]

Alternatively, there is an assumed objection that premiums for this coverage are much too high. In addition to the earlier example in this chapter, which showed $3,000 annually paying for a combined $800,000 in care for a couple, many sales have been made for a distinctly affordable price.

A quarter of individuals who purchased long-term care insurance before the age of sixty-one paid less than $1,000 annually for their plans. Meanwhile, the average premium per sale dropped in 2013 to $44 per week (with the average worksite sale dropping as well, to roughly $30 per week).[41] As anyone knows who's ever illustrated a plan, rates from competing carriers can vary as much as 90 percent or more for the same coverage.[42]

Nearly one in five under age sixty-one pay between $20 and $30 per week for a new long-term care insurance policy, or $1,400 annually.[43] You can bet that is far less than many people assume, cost-wise, but it is all a function of plan design and addressing what individuals value most in a plan. It is also a function of lower prices for preferred risks, a more likely case for those under age sixty-five.

As always, the practice of emphasizing the positives of owning long-term care insurance to cover this risk can help make the purchase more real for the client. Following is one advisor's list of the benefits of owning long-term care coverage:[44]

1. Having the comfort of knowing you and/or your spouse will never be a burden to your family and friends.

2. Never worrying about impoverishing your spouse should you require long-term care.

3. Knowing you will be free to truly enjoy your retirement because your retirement assets are protected.

4. Knowing that you will never put your children in a position of having to choose between the high costs of long-term care for one parent and protecting the assets of the other healthy one.

5. Knowing that you will not ruin your spouse's health by making him or her your primary caregiver.

6. Increasing your ability to stay at home to receive your care, knowing that you will be surrounded by family and friends.

7. Knowing that you have protected all that you worked your entire life to build.

8. Knowing that your children will never have to choose between your care and their inheritance.

These are the true benefits of protection. In the long run, they are not so much financial; just as important is sparing the family from having to participate in the caregiving process. Any discussions of long-term care planning should take the preceding considerations into account.

Finally, the worst mistake a financial advisor can make regarding long-term care insurance is not offering it.[39] It's easy to take a pass on this product line because it is potentially a lot of hard work both to present and close. But that would be to ignore the fiduciary responsibility you have to your clients. They will suffer should a long-term care event occur and they are unprepared for it. They may respond by undoing the rest of the financial plan you have painstakingly put together for them.

That doesn't help anyone. Believing in the value of this product and being willing to talk to every client about it is the right thing to do on their behalf. Not everyone will follow your recommendations. Not everyone will be a candidate for insurance. But more often than you think, someone will buy this product, someone willing to transfer the risk to an insurer to cover this need. When the time comes to actually use the policy, it will seem like the greatest purchase ever made. It's that important.

Some individuals will not be interested when you have presented the case for long-term care insurance. Not as a sales tactic, but as a protection from liability, some financial planners—after stressing the need and advantage of buying this type of coverage—employ the following waiver form (Exhibit 11.2) or something similar to retain in the person's file:

Perhaps this form doesn't carry a great deal of weight legally, but every few years we read about children suing financial planners, asking out of desperation, "Why didn't you discuss long-term care with my parents?"

Exhibit 11.2. Waiver of Liability Form

Please review this form and sign your name below.

Date: ______________________________

Client: ______________________________

Address: ______________________________

____

Phone: ______________________________

LTC Insurance Presented: ______________________

____

As a professional and ethical insurance agent, I have discussed with you the reasons why long-term care insurance is the proper solution for you to pay for unreimbursed long-term care expenses incurred in the future.

However, at this point in time, you choose not to pursue long-term care insurance as your financing alternative. By signing this form, you are acknowledging that you were presented information about a comprehensive long-term care insurance policy, and you are not choosing long-term care insurance at this time.

______________________	______________________
Print Name	Print Spouse's Name
______________________	______________________
Signature	Spouse's Signature (if appropriate)
______________________	______________________
Witness	Witness
Date: ________________	Date: ________________

Hopefully, your prospects will see the wisdom of taking the action to protect their money and their family from the fallout of a long-term care event. You don’t want Boomers humming the old Rolling Stones tune “As Tears Go By” if you can prevent it.

Financial futures may depend on your efforts.

Endnotes

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36. Recall that a five-year lookback penalty applies if countable assets are disposed of for less than FMV.
37. I would argue this is not a great descriptor of its function or purpose—after all, a good Medicaid Planner can protect assets after the insurable event has occurred for a fraction of the cost, but there's no getting around the fact that this is how consumers see the product. Suitability standards and Partnership programs also hinge on asset protection—unfortunately one of LTCI's least compelling benefits.
38. According to NAIC Suitability standards, an individual should generally have at least $30,000 in assets not counting his primary residence.
39. A common rule of thumb is that one's annual premium should not exceed 5 percent of principal. Why not? This way, the interest generated by one's assets could spin off the premium necessary each year to pay her LTC insurance premium and protect the nest egg indefinitely. By the way, we usually recommend paying for LTC insurance annually. It's less expensive this way—without "financing" the premiums for an extra 8–9percent.
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