

Future Considerations

? *My wife and I are in good health and have a robust portfolio, so it surprised me when our advisor suggested that we consider buying long-term care insurance (LTCI). He recommended it as a way to hedge risk, but I am confident that we could pay for whatever care we will need in the future. Is this just an unnecessary cost?*

IT DEPENDS. LTCI is not only beneficial in an economic sense, but also in an emotional sense. In your case, it may make more emotional sense. According to a June 2005 LifePlans study, you have a 50 percent risk of needing long-term care during your lifetime. Just because you have the money for this care doesn't mean you (or your family members) want the responsibility that goes along with it. LTCI can help by offering valuable care coordination.

If you rely on your family for care, you may feel that you are burdening your loved ones. With many LTCI plans, licensed professionals work with your family to organize the best care possible, accommodating both your needs and your family's needs. This can help avoid conflict among loved ones and subside any feelings of guilt you may have.

As for protecting your assets, LTCI can help you do that as well. The national average rate for a private room in a nursing home is more than \$75,000 annually. In addition, the cost of long-term care is expected to increase threefold in the next 20 years. Consider this as you decide whether you are willing—or able—to shoulder this cost on your own.

Matthew Sinclair, New England Financial, Tarrytown, N.Y.

MARITAL STATUS somewhat affects this decision. If a married couple purchases LTCI for both individuals, the healthy spouse will then be able to continue using the combined income and assets—without the high costs of healthcare and nursing care expenses reducing them. In my experience, very few clients (wealthy or not) are secure with having their net worth diminish as they grow older. The psychological benefits that long-term care insurance provides merit consideration.

If an individual has no spouse but has children, the psychological and financial aspects of medical care become somewhat more complicated. Like it or not, the next generation will try, in good faith, to preserve as much of a parent's assets as possible for ultimate distribution to them

and to their children. In some instances, whether or not medical care costs will significantly diminish the parent's assets impacts these judgments. Thus, LTCI allows family members to make the best possible choices for their parents—without financial considerations.

All things considered, when compared to the benefits provided by such coverage, the insurance premiums are not a financial burden to the majority of affluent people.

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AS AN ESTATE PLANNING ATTORNEY, I often recommend that high-net-worth clients consider LTCI as part of rounding out their planning. We begin by determining current and anticipated future liquidity of all holdings. We also consider the related tax and other possible economic consequences of liquidating investments if needed. For example, a client with a successful business, a large IRA, annuities, family cottage and real estate limited partnerships may have significant net worth and the ability to pay for the cost of care. However, having LTCI benefits available can avoid the need to liquidate assets that would result in much greater economic expense. In this respect, having an LTCI benefit to draw from is like retaining a purely liquid segregated investment. It is similar to a rainy-day fund for an unexpected and very costly long-term deluge.

It is also important to have a realistic appreciation of the actual cost of the type of long-term care services that meet your unique needs. We have clients who currently spend an average of \$500 per day for such services (above their basic cost of living). For couples who are both in need of care, the costs are even higher. If the unknown and rapidly rising cost of care is a concern, LTCI is a very good hedge that provides added peace of mind.

Many people resist doing the quality of care/quality of life exercise, wrongly believing they will not know the difference anyway. That is a fallacy. In our experience, most people whom LTCI actively benefits are fully aware of their circumstances and happy to have the extra liquid funds to help pay for the services they prefer. For some individuals, LTCI makes the difference between receiving care in their own home and having to go into a nursing home.

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