GLOCAL INSURANCE SERVICES

The State of Long-Term Care Planning in 2018

Comprehensive long-term care insurance has been a part of the long-term care planning landscape for a little more than thirty years. In that time, the financial services industry has learned a great deal about who uses long-term care and how best to price the coverage. The insurance industry has addressed consumer demands regarding plan design, and through attrition, the carriers who are committed to the industry have now been established for the foreseeable future. Additionally, hybrid or linked products, which incorporate long-term care benefits with life insurance, have gained traction and become popular amongst consumers. Unfortunately, none of these positive trends have significantly altered a catastrophic awakening that is looming now.

While the industry has undergone massive changes in the last three decades, there are still vast misconceptions that perpetuate a delusion that existed well over thirty years ago. In the 1980s, Americans were surveyed regarding the cost and possible need for long-term care services. Despite an aggressive effort by the insurance industry over the last three decades to better educate Americans about Medicare, most Americans still falsely believe that either Medicare or private health insurance will pay for long-term care. This flawed reasoning is now putting the baby boomer generation in jeopardy of needing care without the ability to pay for it. Even more concerning, is the fact that most Americans have no realistic idea of the costs associated with long-term care. Over the last twenty years, multiple surveys of Americans age sixty and above have estimated costs as much as 75% less than the actual cost of care. In most U.S. states, a long-term care patient will currently need at least $5,000 per month to pay for long-term care expenses. With people in facilities, the costs are nearly double that estimate.

So, the bad news is, Americans are still in denial over the need to plan for long-term care. However, there is some good news, and it should assuage the fears of many potential consumers. For the most part, the industry is very stable, despite an excessively long period of low interest rates. Additionally, we have seen numerous obstacles overcome, like lapse ratios that were much less than underwriters projected, benefit durations longer than anticipated, and many plan provisions that were either underpriced or unsustainable. Furthermore, the provider market has caught up with the consumer demand, and long-term care inflationary trends have been falling significantly over the past fifteen years. For these reasons, we view the marketplace as more consumer-friendly with rate stabilization finally a national reality.

Americans have always purchased automobile and home insurance so that their family and assets are protected from a financial disaster. Long-term care should be on that same radar, especially since it is significantly more likely that they will need long-term care than home or auto insurance. The common complaint consumers have is directly related to the premium associated with long-term care. When the cost of care is better understood, consumers find that the insurance is an awesome value, and a very economical way to receive significant benefits for a relatively low premium.

If you have not yet started the process of planning for long-term care, you are currently self-funding 100% of the costs. That may be a sufficient funding option if you have the resources, but ask yourself the following question, "Will I be able to pay a half of a million dollars for long-term care after my retirement money has been exhausted?" If you want a customized recommendation designed to fund long-term care, please give us call at (424) 238-5484.