



Guide to Long Term Care Insurance

WHAT IS LONG-TERM CARE?

Long-term care includes a broad range of health and support services that people need as they age. These services include personal care and assistance with daily tasks which are referred to as activities of daily living (ADL's). These ADL's include:

- * Bathing
- * Dressing
- * Using the toilet
- * Transferring (to or from bed or chair)
- * Caring for incontinence
- * Eating

There are also instrumental activities of daily living (IADL's) that allow people to remain independent that include:

- * Housework
- * Managing money
- * Taking medication
- * Preparing meals
- * Shopping for groceries
- * Responding to emergency alerts such as fire alarms

Long-term care services can be provided at home, in an assisted living facility, an adult day care center, or in a nursing home.

WHY IS LONG-TERM CARE INSURANCE IMPORTANT?

Did you know that **70% of people over the age of 65** will need long-term care services? (American Council of Life Insurers. *Long-Term Care Insurance*).

While family members may be able to provide some of these services, paid care may be needed to supplement family-provided services as care and support needs increase.

However, the cost of quality long-term care can be very expensive. For example, the national average cost in a nursing home in 2025 is \$10,094/month and home healthcare costs average \$6,718 per month (LTCnews.com).

Considering that most people will not need LTC services until later in life knowing the projected cost of care is critical to ensuring your plan will meet your needs.

Many people believe that LTC insurance is not necessary because of our national Medicare Health Plan. It is important to know that **Medicare** will only pay for skilled care at home or in a nursing home or rehabilitation facility for a limited time following a hospital stay, **but it will not cover most long-term care costs.**

WHAT ARE THE OPTIONS FOR COVERING LONG-TERM CARE COSTS?

There are three options to cover the costs associated with Long-Term Care services?

Self Funding or Family Funding

Having to cover the cost of Long-Term Care services can be cost prohibitive for families and leave spouses or children facing financial hardships. Even with limited services provided, resources can be drained quickly leaving families with hard choices to make.

Medicaid

Provides long-term coverage only to those with limited income and resources: usually, before a person can qualify for Medicaid, they must “spend down” or exhaust most of their personal financial resources. As a result, most individuals end up having to impoverish themselves before they get assistance from Medicaid. It is also important to

note that most Medicaid benefits focus on institutional care, such as nursing homes. Although this may be changing in many states, Medicaid benefits will always be determined by the program, leaving people without the control of care they would have with other solutions.

Private Insurance Plans

Having an insurance product that provides benefits specifically for Long-Term Care services can help provide relief from the financial hardships so many families face when they are left to either fund it themselves or rely on Medicaid.

Planning for long-term care expenses is an important part of retirement planning that is often overlooked. Insurance can help protect retirement assets and allow for more choice in types of care and care settings.

WHEN SHOULD I BUY LONG-TERM CARE INSURANCE?

Most Long Term Care Specialist agree that the best time to purchase an insurance based Long-Term Care policy is in your mid-50's. However, a good rule of thumb is to have your Long-Term Care plan in place between the ages of 55 and 64. There are two main reasons this is recommended.

- ✳️ The younger you are the less expensive the cost. Regardless of the type of LTC coverage you purchase the younger you are the lower the cost of premiums.
- ✳️ Health plays a big factor in Long-Term Care Planning. Insurance based plans will require some form of underwriting on your health. It stands to reason that the younger you are when you apply for coverage the less likely poor health would prevent you from getting approved for coverage.
- ✳️ If you are over 65 and healthy there may still be options, but don't wait. Once you need care insurance options are no longer available.

TYPES OF LONG-TERM CARE INSURANCE OPTIONS

Traditional LTC Insurance (LTCi)

LTCi are insurance policies that are designed to specifically cover Long Term Care services. These policies have many options and can be customized to meet your specific needs and concerns. Traditionally these types of plans give you the “best bang for your premium buck” when it comes to benefits.

LTCi premiums cannot be increased because of age, but these policies do fall under the definition of ‘Guaranteed Renewable’ coverage. This means that premiums can be increased by the insurance company based on blocks of insureds.

The age at which you purchase coverage will impact cost, the younger you are the less expensive your premiums and your health will determine your insurability.

Hybrids or Linked Benefit Plans

Hybrid policies, also know as ‘linked benefit’ policies are LTC plans that are linked to life insurance or an annuity. This means that if you do not use the LTC benefits, some portion of the life insurance or annuity will be paid out, thus eliminating the unpopular “use it or lose it” element associated with the LTCi plans.

These types of plans tend to be more expensive than LTCi plans due to the dual nature of the coverage. They also offer a ‘short pay’ or ‘single pay’ options that most LTCi plans do not. This means you can pay premiums for a specific amount of time or in a single lump sum and then your plan is paid up and no further payment would need to be made.

These policies are also popular with those who want a locked-in and guaranteed premium amount. Because these plans are linked to a life or annuity policy the rates are guaranteed and not at risk of a class rate increase.

Other Long-Term Care Options

LTCi and Hybrids are the most popular solutions for Long-Term Care planning, however there are other options available.

Short-Term Care plans are starting to pick up in popularity. These plans are less expensive and have less rigid health underwriting requirements which make them popular with those who are older with health conditions.

For those who may have waited too long to secure their Long-Term Care plan these plans may be a viable options to put some protection in place.

It is always recommended you work with a Certified Long-Term Care insurance specialist to ensure you are getting the best options in coverage and all your questions and concerns are addressed.

TAKE AWAYS

- ✳️With the rising cost for Long-Term Care services, having an LTC plan is no longer a nicety, it is a necessity for a stable retirement strategy.
- ✳️Everyone will be left with a Long-Term Care plan (self-funded, Medicaid, or private insurance). Unfortunately, without preparation they may not have the plan they want when they need it.
- ✳️The best time to get your Long-Term Care planning secured is between 55 and 64 years old. If you are older than 64, don't worry there are still options.
- ✳️With so many options in the type of coverage it is important to work with a trusted certified LTC specialist. Even if your plan is to self-fund its better be aware of your options so you are making an informed decision.

Schedule a complimentary Long Term Care Review today.



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