

# The Financial Edge

Published bi-monthly to promote sound financial opportunities

Insurance and  
Investment Consultants,  
Inc.

Volume 3 Issue 2

March/April 2006

## Long Term Care Insurance—Questions and Answers

With the current high cost of health care, very few people can afford the extended care that's often needed with chronic illness, injury or advancing age. That's why Long Term Care insurance (LCTi) is so important for anyone concerned about preserving financial security and independence if a lengthy disability occurs. The following are commonly asked questions concerning LCTi with a detailed answer to each.

### Is LCTi really necessary for most people, particularly those who are young?

Despite a popular misconception, the need for long term care isn't restricted to the elderly. In fact many working-age adults have disabling injuries and illnesses, including arthritis, heart disease and mental impairment, as well as stroke and trauma, that require ongoing care. Twelve million people of all ages need help with Activities of Daily Living (ADLs). 40% of people who receive long term care are between the ages of 18 and 64. Four million people in the US have Alzheimer's disease.

### Doesn't Medicare or Medicaid pay for long term care services?

Many people mistakenly believe that government programs will pay for their long term care, but that isn't the case. Medicare currently pays for 16% of all long term care in the US, and when it does, it covers only

skilled or acute nursing care. Yet, 80% of all long term care is now provided outside a nursing home. State Medicaid programs cover 38% of all long term care in the US. Recipients are required to spend down their assets to poverty levels to qualify for assistance. The best solution is private LCTi, particularly in light of recent federal health legislation that makes this coverage more tax favorable.

### Just how much does long term care cost?

The financial impact of long term care is significant, no matter where it is provided. A year in a nursing home can cost anywhere from \$35,000 to \$80,000—the national average is \$41,000 per year. Home care averages \$12,000 per year. Today, more Americans are receiving home health care and hospice care as an alternative to nursing home care. In fact, more than 22 million families currently provide informal, unpaid care for an older parent or relative, a number that has tripled in the past 10 years.

### When is an individual eligible for benefits?

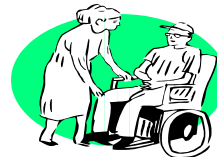
Most companies will begin to pay benefits once a person who under the regular care of a doctor is unable to perform two of the six ADLs without assistance. ADLs are defined as eating, toileting, transferring,

bathing, dressing, or incontinence. In addition, if a person suffers from severe cognitive impairment that requires substantial supervision, this will also trigger the payment of benefits.

### Does a company have the right to cancel the policy or raise the premium?

Almost all policies are guaranteed renewable, which means that the company cannot cancel coverage as long as the premiums are paid on time. Premiums will not increase with age or because a claim was filed. Rates can only increase on a "class" basis—that is, for everyone within a certain category. If rates are increased on a class basis, the new premium is based on the age at purchase, not current age.

### For more information on LCTi or for a free quote and analysis call or fax us or visit us at:



**About 60% of the US population will need long term care at some point.**

### Special points of interest:

- Building a financial strategy is like building a house....the right blueprint is essential for success.

- Studies show that 50% of those surveyed who are over the age of 50 and are retired or partially retired have had to spend more of their own money on health care or home care than they anticipated.

- Studies show that 36% of those surveyed who are over the age of 50 and are retired or partially retired have had declining health or an illness that affected their retirement income.

- Studies show that 29% of those surveyed who are over the age of 50 and are retired or partially retired have experienced a reduced standard of living.

- Social Security is only one piece of the pie in retirement. 35.6% of a retiree's income comes from Social Security, 24.5% from part time work, 19.2% from pensions, 17.8% from personal savings, and 2.8% from other sources.

- The current Social Security system is projected to become insolvent in the year 2029 due in part to the fact that the ratio of workers paying FICA or Social Security tax is declining.

- More than two out of 3 US workers have not done any formal planning for their retirement years.

- 49% of Americans believe their standard of living will decline during their retirement years when compared to their working years. Only 24% of Americans anticipate that their savings will be sufficient to cover basic living expenses during their retirement years.

## The Painful Realities of Cancer

Consider the following facts:

- 1- Cancer will strike 1 in 3 Americans...3 of 4 families.
- 2- Someone dies of cancer in the US every 67 seconds.
- 3- Cancer is the leading killing disease of women 30-54 and children.
- 4- 49% of diagnosed cancer victims will survive.
- 5- 5 million Americans have a history of cancer—3 million are cured.

6- 160,000 more can be saved with prompt treatment.

Cancer is devastating, both in terms of its impact on the human body and the costs of medical treatment. Billions are spent annually for cancer care and individuals have to pay steadily rising out of pocket charges for insurance deductibles, co-pays and other associated costs, including transportation, child care, and home care—all while coping with reduced or lost income. For every \$100 of medical expenses that your health insurance covers, there are up to

\$172 of expenses that are not medically related. These expenses must be paid.

There are several excellent cancer insurance plans available today that will help take care of many of these non-medical expenses, as well as the medical expenses.

**For more information on cancer insurance or even a free quote contact us today by fax or mail. You may also visit us at:**

[www.insuringourworld.com](http://www.insuringourworld.com)

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***"Your need is our opportunity."***



**Insurance and Investment Consultants** was incorporated in 1970. Prior to that, the principle stockholder, Walter G. Barnes, had been in the financial services business as a sole proprietor since 1962. Therefore, we have been offering financial services to clients throughout Alabama, as well many other parts of the nation, for over forty years.

We are an independent brokerage agency representing many insurance companies and are free to select from any of these companies the appropriate plan or product that best meets the needs of our clients. We offer a full range of life and health insurance, as well as investments that include mutual funds and variable annuities.

Our pledge to you is - *"In all my relations with clients I agree to observe and follow the following rule of professional conduct: "I shall, in the light of all circumstances surrounding my clients, which I shall make every conscientious effort to ascertain and to understand, give them that service which, had I been in the same circumstances, I would have applied to myself."*

- Society of Financial Service Professionals

Newsletter Editor - Randy Barnes, Vice President

## **Health Savings Accounts— A Wise Choice For Many**

Health Savings Accounts (HSAs) are tax-sheltered accounts similar to IRAs, but earmarked for medical expenses. The deposits are 100% tax-deductible. They can be easily withdrawn by check or debit card to pay routine medical bills with pretax dollars.

Larger medical expenses are covered by a low-cost high-deductible health insurance policy. What is not used from the account each year remains in the account and continues to generate interest on a tax-favored basis to supplement retirement, just like an IRA. Individuals who are eligible for HSAs include those not covered by any other health insurance, not enrolled in Medicare, or who can't be covered under someone else's medical plan.

An HSA also can be used in conjunction with a high-deductible health plan. This can refer to cer-

tain types of health maintenance organizations, preferred provider organizations, indemnity plans, and other insurance plans, as long as they can meet program requirements.

There are no income limits on HSA account contributions and also no earned income requirement for HSA participants. They are free to enroll in a drug discount program, can use the accounts to pay their long-term care insurance premiums, and can withdraw after age 65 for any reason without penalty (income taxes will apply, however).

HSAs are continuing to grow in popularity. Younger, healthier people can opt for the high-deductible health plan and use the savings on premiums, which can be 20-50% less, to finance an HSA.

Wealthy or high income individuals

receive an added kicker because of their higher tax bracket. Theoretically, these individuals also have the ability to pay medical costs during periods of multiple doctor visits.

The bottom line with HSAs is that everyone should consider them as a vital part of their financial plan. They can become an important and cost-effective part of a financial portfolio.

Several major companies have HSA products that can fit almost any individual or family. It would be of benefit to anyone to compare the cost of an HSA to what they have now.

**For more information on Health Savings Accounts contact us by fax or mail or visit us at—**

**[www.insuringourworld.com](http://www.insuringourworld.com)**



**A growing number of consumers are shopping around for health care coverage and discovering the benefits of health savings accounts.**