

MANY LONG-TERM HEALTHCARE PLANNING OPTIONS AVAILABLE

Approximately two-thirds of Americans age 65 or older will need some type of long-term care with the average length of time being approximately three years. In New Jersey, the average cost of a private nursing home room is \$109,865 annually, according to Genworth Financial's 2010 Cost of Care Survey, which was released in April 2010. The same survey also indicated that the average annual cost of assisted living coverage and home health aides is \$57,300 and \$46,812, respectively.

With healthcare costs rising faster than inflation, long-term care planning should be a critical facet of retirement planning, yet it may be the nation's greatest uninsured need. Whereas disability insurance provides a safety net during one's working life, long-term care insurance provides peace of mind that your family and investment portfolio will not be disrupted during your retirement years.

Ensuring Quality Care

Self-directed quality care may be best achieved through private financing. Relying on government entitlements—including Medicare, Medicaid, or even the new CLASS Act, which requires recipients to meet certain stringent conditions, including age, income, and capacity—leads to a lack of flexibility with restricted settings of care. Securing long-term care coverage provides the dedicated financing

mechanism to ensure quality care without placing undue burden on one's financial health or the welfare of friends and family.

Insurance Options

Traditionally, insurance companies have offered standard long-term care policies that provide a wide range of benefit options and design flexibility at moderately priced premiums. These plans cover nursing homes, assisted living facilities, home health and hospice care, care coordination services, medical equipment coverage, and caregiver training. Benefit amounts can vary, but typical amounts range from \$3,000 to \$15,000 per month with simple or compound interest inflation riders.

However, recognizing that many individuals are skeptical about purchasing a traditional long-term care policy for fear that they may "waste" their premiums by never utilizing the long-term care benefits, insurance carriers now have developed specific life insurance and annuity contracts that provide extra benefits for long-term care expenses. For many individuals, these are ideal choices as there will always be some sort of benefit paid.

Tax Benefits

Beside peace of mind, tax benefits are also realized via the purchase of either a traditional or linked benefit policy. Benefits payable from these policies

are generally tax-free while premiums paid for tax qualified long-term care policies are treated in a manner similar to other medical expenses. Subject to annual limits based on the age of the insured, premiums paid are deductible to the extent that, when combined with other unreimbursed medical expenses, they exceed 7.5 percent of a worker's adjusted gross income. (This increases to 10 percent under the new healthcare changes for tax years beginning in 2013).

At J.H. Cohn, we are often asked, "When is the best time to look at long-term healthcare insurance?" As with college and retirement fund planning, the answer is: the sooner the better. A long-term care specialist can help you navigate through the key decisions and help you find insurance that provides the proper risk transfer.

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