

LONG-TERM CARE PLANNING: A PRE-RETIREMENT DECISION?

In the past, new and soon-to-be retirees generally assumed that they could put off long-term care planning until their later years. However, a new study shows that people who purchase long-term care insurance (LTCI) before retirement may stand to benefit greatly.

The study, conducted by the American Association for Long-Term Care Insurance (AALTCI), reveals significant advantages to starting the long-term care planning process in your 50's, or even earlier. The study was based on information collected from more than 250,000 consumers who purchased LTCI in 2007.

The AALTCI examined data from 10 leading insurers to determine the percentage of applicants who qualified for preferred health discounts on LTCI. The Association also looked at the percentage of applicants who did not qualify for insurance because of a pre-existing condition.

The Eye-Opening Statistics

Here are a few of the interesting statistics released from this enlightening study:

- ▶ On average, 22.9% of applicants between the ages of 60 and 69 were declined coverage because of a pre-existing condition
- ▶ 42.2% of applicants between 70 and 79 were declined
- ▶ 69.8% of applicants over 80 were declined
- ▶ On average, just 13.9% of applicants aged 50 to 59 were declined
- ▶ 51.5% of people between the ages of 50 and 59 who applied and were accepted for coverage qualified for preferred health discounts
- ▶ 66.8% of applicants between the ages of 40 and 49 qualified for the discount

These numbers clearly suggest that consumers may be better off if they apply for LTCI before retirement, when they are less likely to have a pre-existing medical condition.

Not only are younger applicants more likely to be accepted for coverage, but they also stand a better chance of receiving a valuable preferred health discount. These discounts can reduce the cost of long-term care insurance by 10% to 20% annually, which can amount to savings of hundreds of dollars a year for a couple. Additionally, these discounts last a lifetime. Once an applicant qualifies for a preferred health discount, the insurer cannot retract it should the applicant's health change in the future.



Losing At the Waiting Game

Still, the vast majority of consumers wait until after retirement to apply for LTCI. According to the AALTCI, approximately 400,000 people obtained LTCI coverage in 2007, and 84% of them purchased a policy before the age of 65. However, based on this new study, consumers may want to consider purchasing a policy even sooner.

“Many people still wait too long to start the planning process only to discover they can't get coverage no matter how much they are willing to

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pay,” Jesse Slome, Executive Director of AALTCI, said in an association press release. “Planning for long-term care is similar to retirement planning. There are significant advantages and reasons to start early. Your health when you apply is probably the most important.”



More Preferred Health Discounts All Around

The new AALTCI study also shows that, in general, more people qualified for preferred health discounts in 2007 as compared to 2005. This may be a sign that our nation’s population is a little healthier than it was just two years ago.

However, most LTCI applicants who received preferred health discounts were younger in age, according to the study. For example, 66.8% of applicants between 40 and 49 received discounts in 2007 as compared to 53.7% in 2005—a 13.1% increase.

Better Shop Around

However, the AALTCI points out that each insurer follows a different set of standards when it comes to deciding who qualifies for discounts and which applicants will be accepted or declined for

coverage. Additionally, discounts and insurance rates vary greatly depending on your age, marital status and health. Therefore, if you’re considering buying LTCI, you should shop around before settling on an insurer.

“It pays to speak with a knowledgeable long-term care insurance professional who can offer coverage from more than one insurer,” Slome said in the AALTCI press release. “The difference in cost can be as much as 30 percent or more annually and since it rarely is advantageous to change policies, it pays to get the best coverage for the best price from the onset.”

We can help

If you have questions about your long-term care options, Grand Canyon Planning Associates can help. We work with many different insurance providers, and can help create a long-term care policy that works for you.

CONTACT US

- ▶ PHONE: 480.991.1055
- ▶ EMAIL: INFO@GRANDCANYONPLANNING.COM

WWW.GRANDCANYONPLANNING.COM