

**THE COMPLETE CARDINAL GUIDE
TO PLANNING FOR AND LIVING IN RETIREMENT
WORKBOOK**

NAVIGATING SOCIAL SECURITY,
MEDICARE AND SUPPLEMENTAL INSURANCE,
LONG-TERM CARE, IRA, LIFE INSURANCE,
POST-RETIREMENT INVESTMENT AND INCOME TAXES

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The Complete Cardinal Guide to Planning for and Living in Retirement Workbook

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| CONTENTS

1. Module 1—Social Security	1
2. Module 2—Medicare	15
3. Module 3—Long-Term Care	29
4. Module 4—IRA (Individual Retirement Accounts)	59
5. Module 5—Investments	67
6. Module 6—Life Insurance and Estate Planning	87
7. Module 7—Income Taxes	119
8. Module 8—Choosing Your Advisor	127
Index	139

KEY QUESTIONS

- What is Long-Term Care (LTC)?
- What kinds of Long-Term Care insurance are available to consumers?
- How do I plan for Long-Term Care?
- Will Medicaid pay for Long-Term Care?
- Who can help me plan for Long-Term Care?

Corresponds to Chapter 4, “Long-Term Care: There’s an Appropriate Strategy for Every Family,” in The Complete Cardinal Guide.

3.1 The Importance of Long-Term Care (LTC)

You can’t predict all the risks you will face throughout your lifetime, let alone when they will occur. For some situations that involve unknown risks, insurance policies can transfer the risk away from you and to an insurance company. For example, you buy homeowner’s insurance to protect yourself in case of a natural disaster, and you purchase auto insurance to help mitigate the risk you assume when you drive a car. You can prepare for your death or the passing of a loved one by purchasing life insurance and burial plots. Long-term care insurance can provide additional financial protection for the unknowns inherent in retirement planning.

Today there are better options for long-term care insurance than there were only 10 years ago. Halfway through his second term, President George W. Bush prevailed on Congress to take action to deal with a crisis around retirement financing. Pensions were facing financial stress, and in addition sick and ailing Americans were paying high taxes on large withdrawals from investments to pay for long-term care. The Pension Protection Act of 2006 (PPA) helped fix these problems by ensuring that distributions from annuity and life insurance policies used to pay for long-term care insurance and

expenses would be treated as tax-free, as long as the policies and distributions are considered “qualified.” This law created a large market for new hybrid or “linked-benefit” policies that combine tax-free LTC benefits with the underlying guarantees of an annuity or life insurance policy. These new policies, along with traditional long-term care insurance, provide additional strategies for smarter long-term planning.

These qualified traditional long-term care insurance policies, and the hybrid policies, have similar triggers that must be met before the policy pays any benefits. The inability to perform two of the six activities of daily living (ADL) without substantial assistance or supervision will trigger benefits. **These common daily activities are: bathing, dressing, eating, toileting, transferring, and continence.** The type of health care that provides assistance for these activities is called “personal care.”

The main focus of long-term care planning is to provide adequate funding to pay for an extended period of personal care and to preserve the accustomed standard of living for the healthy spouse. Long-term care planning provides a road map for how to pay for care as your health deteriorates. Previously, extended care for the activities of daily living was provided in a nursing home. Today, care can be provided in group centers and in assisted living and nursing home environments. These businesses provide certified nursing assistants and other non-skilled health-care workers who can supervise or assist a patient in need. However, more and more people are able to receive care at home with the assistance of licensed home health-care agencies. Nowadays, conditions like Parkinson’s disease, a prolonged illness, and/or a cognitive disorder like Alzheimer’s disease can be addressed in a more comfortable atmosphere at home.

Prior to beginning long-term care planning with clients, we want to prepare them mentally for the task at hand. Developing an objective understanding is key to making a rational long-term care plan. The Certification in Long-Term Care (CLTC[®]) training designation has advisors ask potential clients to consider the following:

- A rational person will understand there is a likelihood that he or she could live a long life.
- A rational person will understand that if he or she lives a long life, the chances of becoming frail or forgetful are real.
- A rational person will understand that paying for long-term care will undoubtedly impact his or her finances and family.

Once you can come to terms with these realities, you can face long-term care planning more objectively.

Reading Check

Doris is thinking about purchasing a long-term care insurance policy. The one she is looking at mentions Activities of Daily Living. Curious, she asks the agent helping her, Sean, what those are. What should Sean tell Doris about the Activities of Daily Living?

3.2 Types of Long-Term Care

This section defines long-term care and describes the various settings in which Americans receive it. Long-term care is also known as “elder care” or “nursing home care,” despite the fact that many people who receive it are under 65, and many folks receive it in a setting other than a nursing home.

Long-Term Care

Includes a wide range of medical and support services for people with a degenerative condition (for example, Parkinson’s disease, or those that occur after a stroke), a prolonged illness (cancer), and/or a cognitive disorder (Alzheimer’s). Long-term care is not necessarily medical care, but rather custodial care.

Home Health Care

Services in the client’s home. Can include nursing care, social services, medical care, homemaker services, and occupational, physical, respiratory, or speech therapy.

Assisted Living Facility

A residential living arrangement that provides personal care and health services for people who need some help with activities of daily living but don’t need the level of help given by a nursing home.

Nursing Home

Provides skilled, intermediate, and custodial nursing care for residents who need a higher level of medical care than that provided by an assisted living facility.

Adult Day Care

Care given during the day at a community-based center for adults who need help or supervision with daily activities.

Respite Care

Care provided by a third party to relieve family caregivers.

Reading Check

Mary has been diagnosed with dementia. She has been trying to hide the effects of her failing memory from her family because she doesn't want to be placed in a nursing home. Is a nursing home her only option to receive care?

3.3 Long-Term Care Planning

Throughout this section, we review pricing and benefit examples of two short-term care policies, one traditional long-term care policy, six versions of hybrid long-term care, and a brief financial plan for self-insurance. Information is given for a 55-year-old female and a 70-year-old female who are funding \$3,000 of monthly benefits with a 5% compounded inflation factor. This level of benefits partially insures the risk of long-term care. Prices for males are generally less for long-term care. Couples applying together can generally receive large discounts, because the insurance companies know that when two spouses live together, one will generally care for the other for a while.

The policies presented below are similar in that they all pay monthly benefits for the long term and they all have a premium that is paid either up front or over time. They differ in the health criteria you have to meet to qualify and the design of the policy.

The underwriting boxes below the policy descriptions show the actual health questions the insurance company asks you. Full underwriting means they ask you a thorough set of questions, and a yes answer is cause for deeper investigation to determine if you are insurable. Simplified underwriting asks a limited set of questions, where a yes answer means you are not insurable and if all the answers are no, you get the policy.

3.3.1 Short-Term Care

“**SHORT-TERM CARE INSURANCE** gives your family almost a year of \$3,000 monthly payments while they figure out how to make self-insurance work for you. It may not sound like much, but I can tell you that the families who are collecting on it are very grateful for the time it buys them. Short-term care insurance pays for home health care as well as facility care. The health criteria are much easier to meet than for traditional long-term policies, which makes short-term care available to more people” (chapter 4, *The Complete Cardinal Guide*).

Policy 1

This is a short-term care policy paying benefits up to 360 days or 52 weeks. The health qualifications (underwriting) are simplified, the premiums affordable, and it provides coverage for the first year of care.

Daily Benefit: \$100 • Monthly Benefit: \$3,000 • Maximum Benefit: \$36,000 Benefit Period: 360 Days • Waiting Period: 0 Days • Inflation: None Death Benefit: \$0 • Unisex Rates • No Couples Discount To Add Male Spouse: Double the Price	
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In addition to the \$100 daily benefit for nursing home or assisted living care, this coverage pays \$1,200 weekly, up to \$62,400 annually, for home health care on an indemnity basis if minimum services are received. Receiving benefits on an indemnity basis means that you receive the benefit as a flat rate as soon as you qualify for it, unlike reimbursement, where the company simply pays you back for what you spent.

Fig. 3.1

Age 55 Female		Age 70 Female	
Monthly Premium	Annual Premium	Monthly Premium	Annual Premium
\$53.71	\$644.52	\$136.24	\$1,634.88

This coverage will pay a daily benefit for confinement in a nursing or assisted living facility, provided you cannot perform two or more Activities of Daily Living (ADLs) or have a cognitive impairment. No prior hospital stay is required.

The home health rider pays a benefit for each week you receive three or more professional home care service visits of at least one hour per visit, provided you cannot perform two or more ADLs or have cognitive impairment.

Policy 1 Underwriting (Simplified)

The following are examples of questions asked by the insurance company during the underwriting process:

Fig. 3.2

1. **Are you currently:**
 - confined to a hospital or nursing facility?
 - bedridden or receiving any type of home health care?
 - dependent on a walker, cane, wheelchair, or motorized mobility device?
 - requiring assistance in performing everyday activities such as walking, eating, dressing, shopping, housekeeping, toileting or bathing?
2. **Do you have diabetes:**
 - that requires the use of 50 or more units of insulin?
 - with any complications resulting from the diabetes (including neuropathy, heart or artery blockage, retinopathy)?
 - Do you have insulin dependent diabetes in conjunction with a heart disorder (other than high blood pressure)?
3. **Within the past 12 months, have you:**
 - been advised by a medical professional to have treatment, further evaluation, diagnostic testing or have test results pending?
 - been diagnosed or treated by a medical professional for any type of seizure?
4. **Within the last 12 months have you been advised by a medical professional that surgery may be required within the next year for any existing health condition including joint replacement?**
5. **Within the past 12 months have you been recommended or advised by a medical professional to have treatment or counseling for alcohol or drug abuse?**
6. **Within the past 24 months have you:**
 - been prescribed the use of oxygen by a medical professional?
 - had any type of amputation caused by disease?
 - been treated for transient ischemic attack (TIA), Cerebrovascular Accident (CVA) or stroke?
 - been hospitalized three or more times for any reason?
 - had any lung or respiratory disorder requiring the use of a nebulizer or oxygen, or three or more medications for lung or respiratory disorder?
 - been diagnosed or treated by a medical professional for a mental or nervous disorder excluding anxiety or mild depression?
7. **Within the past 36 months have you been diagnosed or treated by a medical professional or had surgery for any of the following:**
 - congestive heart failure, kidney disease, cirrhosis, Paget's disease, lupus, or any connective tissue disorder?
 - internal cancer (including breast cancer and prostate cancer), leukemia, lymphoma, or melanoma?
 - Alzheimer's disease, dementia, Parkinson's disease, cerebral palsy, multiple sclerosis, or any other neurological or neuromuscular disorder?
 - Acquired Immune Deficiency Syndrome (AIDS), AIDS related complex (ARC), or tested positive for the Human Immunodeficiency Virus (HIV)?

Policy 2

This is a short-term care policy paying benefits up to 350 days. The health qualifications (underwriting) are simplified, the premiums affordable, and it provides coverage for the first year of care. This coverage provides a couples discount. When husband and wife are issued policies together, each receives a 10% discount.

Daily Benefit: \$100* • Maximum Benefit: \$35,000	
Benefit Period: 350 Days	
Waiting Period: 0 Days • Inflation: None • Death Benefit: \$0	
Unisex Rates • 10% Couples Discount • To Add Male Spouse: +80%	

**Policy covers nursing home, assisted living, adult day care, and home health care. This is a reimbursement policy and any unused portion of the \$100 daily is forfeited.*

Fig.3.3

Age 55 Female		Age 70 Female	
Monthly	Annually	Monthly	Annually
\$37.50	\$450	\$115.42	\$1,385

Policy 2 Underwriting

Fig 3.4

1. **Do you require supervision or assistance with Activities of Daily Living such as walking, eating, bathing, dressing, toileting, moving into or out of a bed or chair, or with taking medication?**
2. **Have you ever had an organ transplant (other than corneal) or a defibrillator implanted?**
3. **Do you ever use a hospital bed, walker, wheelchair, quad cane, motorized personal transport, chair lift, or oxygen?**
4. **Have you ever been diagnosed with a terminal illness which is expected to end your life within the next 12 months?**
5. **In the past 12 months:**
 - Have you been confined in a hospital, or have you had heart surgery including bypass, angioplasty, stent placement, or heart valve surgery?
 - Have you had a balance disorder or have you fallen more than 2 times?
6. **In the past two years:**
 - Has a medical professional scheduled or advised you to have surgery requiring general anesthesia, or undergo testing and you have not done so?
 - Have you resided or been advised to reside in a Nursing Home or Assisted Living Facility?
 - Have you received or been medically advised to receive Home Health Care or Adult Day Care services?
 - Have you received Worker's Compensation, Social Security Disability benefits, or other long-term disability benefits?
7. **In the past two years, have you had, been diagnosed with, received treatment, or taken medication for any of the following conditions?**
 - Alzheimer's disease, dementia, or memory loss
 - Acquired Immune Deficiency Syndrome (AIDS) or Human Immunodeficiency Virus (HIV)
 - Amyotrophic Lateral Sclerosis (ALS), Multiple Sclerosis, Muscular Dystrophy, Parkinson's disease, paralysis, or myasthenia gravis
 - Psychosis or Schizophrenia
 - Diabetes with complications such as retinopathy (eye disease) or neuropathy (numbness/tingling in hands or feet)
 - Internal cancer, leukemia, lymphoma, or melanoma
 - Osteoporosis with related fracture(s)
 - Systemic lupus, kidney failure, cirrhosis of the liver, hydrocephalus, or connective tissue disease
 - Stroke or cerebrovascular accident (CVA), transient ischemic attack (TIA), congestive heart failure, atrial fibrillation, peripheral vascular disease, or cardiomyopathy
 - Amputation due to disease, alcohol or drug abuse

Short-Term Care Policy Comparison

Both short-term care policies have similar benefits for confinement, but they offer very different benefits for home health care. With Policy 1, the home health-care benefits and maximum are separate from your use of facility care. With Policy 2, you can use the \$100 daily and the \$35,000 maximum for either facility care or home health care, but not both. The health criteria to qualify for Policy 2 are easier to meet than for Policy 1, and it has generous height and weight thresholds. On the other hand, Policy 1 has no height and weight requirements.

Note that short-term care policies are not available in all states.

3.3.2 Traditional Long-Term Care

“**TRADITIONAL LONG-TERM CARE INSURANCE** is just what it sounds like: Thinking ahead, you purchase a policy that pays \$3,000 monthly once you need long-term care and lasts for several years up to the policy maximum. Caveat: Such a policy must be purchased well in advance of the foreseeable need. Most companies now offer a maximum of ten years of benefits; we typically sell our clients two to five years, which keeps the premium more affordable. The policy pays benefits for either home health care or facility care and allows you to bank the unused portion, which makes the benefits last longer. I also recommend inflation protection.

“There are some disadvantages to a traditional long-term care plan. If you pay in to the policy for several years and never use it, all your money has gone to pay other policyholders who needed benefits. The company can raise the premium—with the approval of insurance regulators—perhaps when you are vulnerable and can’t afford it. Also, health qualifications for traditional long-term care insurance have become tougher over the years. Underwriting will request records from your doctor and possibly any specialists you have seen, will run a report of your prescriptions, and will do a little memory test that will seem silly over the phone. Some companies even send a nurse to your house to examine you” (chapter 4, *The Complete Cardinal Guide*).

Policy 1

Following is an example of a traditional long-term care policy. This policy provides \$3,000 monthly for either home health care or facility care, and pays that amount until you reach the policy maximum of \$150,000. These benefits increase 3% annually for inflation. This policy qualifies for the partnership program in most states (see section 3.4 below). Women pay more than men for this policy. The cost to add a male spouse the same age qualifying for a couple's discount is just 13% more in premium. This policy has extensive health questions (full underwriting) and qualifying for it may be difficult.

Single • Partnership Qualified • Monthly Benefit: \$3,000*
 Maximum Benefit: \$150,000 • Benefit Period: 50 Months
 Waiting Period: 90 Days • Inflation: 3% Compound • Death Benefit: \$0
 Gender Distinct Rates • To Add Male Spouse: +13% / +12%

**Monthly amount covers nursing home, assisted living, and home health care.*

Fig 3.5

	Age 55 Female		Age 70 Female	
	Monthly	Annually	Monthly	Annually
Total Premium	\$223.00	\$2,473.00*	\$394.00	\$4,377.00*

**Paying the premium annually in advance saves you on the premiums.*

Policy 1 Underwriting (Full)

The following are examples of questions the insurance company might ask during the underwriting process:

Fig 3.6

1. **What is your height?**
2. **What is your weight?**
3. **Have you ever used tobacco?**
4. **Have you ever received medical treatment, counseling, or been hospitalized for drug use?**
5. **Do you regularly consume 4 or more alcoholic beverages per day, or do you drink 5 or more drinks per day, 1 or more days per week?**
6. **Have you ever received medical treatment, counseling, or been hospitalized for alcohol use?**
7. **Do you have, for your use, a handicap parking sticker or handicap license plate?**
8. **Have you been diagnosed or treated by a member of the medical profession as having Acquired Immune Deficiency Syndrome (AIDS), AIDS Related Complex (ARC), or Human Immunodeficiency Virus (HIV) Infection (symptomatic or asymptomatic)?**
9. **Do you currently qualify for payment or are you receiving payment benefits under Medicaid (not Medicare), disability income plan, workers' compensation, Social Security disability, or any federal or state disability plan?**
10. **To the best of your knowledge has your biological mother, father, or sibling been diagnosed with Alzheimer's disease or another form of dementia?**
11. **Have you ever been diagnosed with, treated for, tested positive for, or been given medical advice by a member of the medical profession for sleep apnea?**
12. **Do you currently have any of the following?**
 - Electric scooter
 - Hospital bed
 - Nebulizer
 - Oxygen (including supplemental CPAP use)
 - Quad cane
 - Respirator
 - Stairlift
 - Walker
 - Wheelchair
13. **Do you require assistance or supervision of another person or a device of any kind for any of the following?**
 - Bathing
 - Toileting
 - Dressing
 - Eating
 - Medication management
 - Getting in and out of a chair or bed
 - Inability to control your bowel or bladder

14. Have you ever had, been diagnosed as having, or received medical advice or medical care from a physician or health care provider for any of the following?

- Alzheimer's Disease
- Amyotrophic Lateral Sclerosis (ALS, Lou Gehrig's Disease)
- Cancer (except basal or squamous cell skin cancers, or stage I/A bladder, thyroid, breast, or prostate cancers) in the past 2 years
- Chronic Hepatitis
- Chronic Obstructive Pulmonary Disease (COPD), Emphysema, or Chronic Bronchitis and have used tobacco in the past year
- Cirrhosis
- Connective Tissue Disease
- Dementia
- Diabetes and currently taking more than 50 units of insulin daily, or with peripheral neuropathy, numbness, tingling or decreased sensation in your feet, retinopathy or history of stroke, ministroke or a TIA
- Huntington's Chorea
- Hydrocephalus
- Kidney failure or received dialysis
- Memory Loss
- Mental Retardation
- Mild Cognitive Impairment
- Ministroke or Transient Ischemic Attack (TIA) in the past year, single episode stroke in the past 2 years, 2 or more strokes or TIAs, or you have not fully recovered or continue to have weakness, decreased sensation or loss of function from a stroke or TIA
- Multiple Myeloma
- Multiple Sclerosis (MS)
- Muscular Dystrophy
- Myasthenia Gravis
- Organ Transplant
- Organic Brain Syndrome
- Paralysis
- Parkinson's Disease
- Psychosis
- Schizophrenia
- Scleroderma
- Systematic Lupus

15. Are you scheduled for a visit with a medical professional within the next 6 months?

16. Have you received physical, occupational, or speech therapy in the past 6 months?

17. Have you used insulin in the past 6 months?

18. Within the past 6 months have you been confined to, used, or been advised to have any of the following?

- Residential care, assisted living, or adult day care facility services
- Nursing home or home health care services

19. Have you been seen by your physician, health care provider, or any specialist more than three times in the past 12 months?

20. Have you received inpatient or outpatient treatment at a hospital, surgical center, or rehabilitation facility in the past 12 months?

21. Have you had an unplanned weight change in the past 12 months?

22. Are you age 65 or older and has it been more than 2 years since you have had a doctor's visit which included a head to toe physical examination with blood work (basic metabolic chemistry panel)?

23. Have you been hospitalized or had surgery in the last 3 years?

24. In the past 3 years has a medical professional referred you to a specialist for additional consultation, testing, or surgery?

25. Have you been advised by a member of the medical profession in the last 5 years to have surgery which has not yet been completed?

26. During the last 10 years, have you ever used unlawful drugs, or used prescription medications other than as prescribed by your doctor?

27. Have you ever received any advice, treatment, consultation, or diagnosis from a physician or health care provider for any of the following conditions?

- Anemia, Blood Clotting or Blood Disease/ Disorder
- Arthritis, Broken Bone, Back, Spinal Stenosis, Scoliosis, Bone or Joint Disorder
- Balance Disorder, Difficulty Walking, or Falls
- Cancer, Leukemia, or Lymphoma
- Chronic Pain, Amputation, or Polymyalgia Rheumatica
- Depression, Anxiety, or other Mental Disorder
- Diabetes
- Dizziness/ Vertigo or Fainting
- Fibromyalgia, Weakness, or Fatigue
- Head Injury, Nerve Damage, or other Neurological Disease/Disorder
- Heart Rhythm, Heart Valve, Coronary Artery, Heart Disease/Disorder
- Hepatitis or Liver Disease/Disorder
- High Blood Pressure
- Immune System Disease/Disorder
- Incontinence or other Bowel or Bladder Disease/Disorder
- Kidney Disease/Disorder
- Lung Disease/Disorder
- Osteoporosis or Osteopenia
- Seizure, Epilepsy, or Tremors
- Shingles
- Stroke, Transient Ischemic Attack, Aneurysm, Carotid, or Circulatory Disease/ Disorder
- Vision Disorder

28. In the past 5 years have you been diagnosed with, treated for, had testing for, or consulted with a medical professional for conditions or symptoms not listed above?

3.3.3 Hybrid Long-Term Care

“**HYBRID LONG-TERM CARE** is the fastest-growing segment of the long-term care business. Sharing some features of life insurance, hybrid long-term care insurance is more consumer friendly and addresses several of the big problems of traditional long-term care insurance. First, if you don’t use it during your lifetime, there is a death benefit that enables your beneficiaries to receive the unused portion when you die. Many of these policies also have a return-of-premium feature that allows you to get your premiums back (without interest) if you ever want to cancel your insurance. Second, the company can never raise the premium. Third, the money can be used for a variety of care settings, including in-home and rehabilitation care. The trade-off is that you pay for a hybrid policy all up front. The cost is generally \$100,000 or more, and one of the companies lets you use IRA money to fund it. You do have to meet health qualifications, but they are more lenient since you are paying up front” (chapter 4, *The Complete Cardinal Guide*).

The Pension Protection Act of 2006 made it possible for life insurance and annuity companies to add long-term care benefits to regular life and annuity policies. It also provides that charges for long-term care inside the policy are not taxed. The law was intended to expand the availability of tax-favored long-term care benefits through the use of cash values and death benefits in insurance policies.

Policy 1

This policy provides similar benefits to the traditional long-term care policy shown above. Since it is a single-premium life insurance policy, you pay the large premium up front, and if you do not use all of the benefit during your lifetime, your heirs will receive a benefit after you pass away. It only costs 9% more to additionally cover a male spouse the same age on a survivorship policy. The first \$75,000 of benefits does not have 3% inflation. The second \$75,000 of benefits has the 3% inflation rider. This policy has full underwriting with extensive health questions.

Monthly Benefit: \$3,000 • Maximum Benefit: \$150,000
 Benefit Period: 50 Months • Waiting Period: 60 Days
 Inflation: 3% Compound (Rider Only)

Fig 3.7

Age 55 Female	Age 70 Female
Death Benefit: \$75,000 Less Any Long-Term Care Benefits Paid • To Add Male Spouse: +9%	Death Benefit: \$75,000 Less Any Long-Term Care Benefits Paid • To Add Male Spouse: +13%
SINGLE PREMIUM FOR BASE LIFE INSURANCE POLICY	SINGLE PREMIUM FOR BASE LIFE INSURANCE POLICY
\$32,641	\$49,811
SINGLE PREMIUM FOR EXTENSION RIDER	SINGLE PREMIUM FOR EXTENSION RIDER
\$12,103	\$16,342
TOTAL	TOTAL
\$44,744	\$66,153

Policy 2

This policy is similar to the one listed above, but it allows you to pay for most of it using IRA funds. Rolling over IRA funds is less desirable for benefit payouts but is very attractive to clients who have IRA funds they are not using for retirement income. This policy has full underwriting with extensive health questions.

Monthly Benefit: \$3,000 • Maximum Benefit: \$150,000
 Benefit Period: 50 Months • Waiting Period: 60 Days
 Inflation: 3% Compound (Rider Only)

Fig 3.8

Age 55	Age 70
Death Benefit: \$75,000 • To Add Male Spouse: +9%	Death Benefit: \$75,000 • To Add Male Spouse: +13.5%
IRA ROLLOVER INTO AN ANNUITY	IRA ROLLOVER INTO AN ANNUITY
\$34,922	\$50,772
NON-QUALIFIED SINGLE PREMIUM	NON-QUALIFIED SINGLE PREMIUM
\$12,103	\$16,342
TOTAL	TOTAL
\$47,025	\$67,114

Policy 3

This policy is straight single-premium life insurance, with a substantial single premium and no additional premium for riders. The long-term care benefit maximum starts at \$180,000 and grows over time as the cash value in the policy grows. That is how inflation is accounted for. This policy pays an indemnity benefit, which means you don't need to send in receipts of expenses to collect benefits. If you pass away not having used all your benefits for long-term care, your heirs will receive the unused portion as a life insurance benefit. The health standards (underwriting) are easier to meet than for traditional long-term care, but more difficult than for short-term care. If at any point you want your original money back, you can have it.

Straight Single-Premium Life with LTC

Monthly Benefit: \$3,000 (Home Health)/\$5,000 (Facility Care)

Maximum Benefit: \$180,000 • Benefit Period: 60 Months/36 Months

Waiting Period: 0 Days • Inflation: Policy Performance

- 1/60th of death benefit paid each month during chronic illness:
\$3,000/month
- 1/36th of death benefit paid each month during confinement:
\$5,000/month
- Indemnity benefit, not reimbursement
- Optional full refund of premium for life of policy

Fig 3.9

Age	Age 55		Age 70	
	Single Premium: \$76,271 Initial Death Benefit: \$180,000		Single Premium: \$111,111 Initial Death Benefit: \$180,000	
	GUARANTEED LTC BENEFIT	PROJECTED BENEFIT	GUARANTEED LTC BENEFIT	PROJECTED BENEFIT
80	\$180,000	\$260,163	\$180,000	\$204,451
90	\$180,000	\$287,398	\$180,000	\$226,058
100	\$180,000	\$326,549	\$180,000	\$255,938

Policy 3 Underwriting

In between simplified and full underwriting. A simple phone interview issues this policy. Less difficult to qualify for than full underwriting.

Fig 3.10

1. Have you ever had	
<ul style="list-style-type: none"> • AIDS/HIV • ALS (Lou Gehrig's Disease) • Alzheimer's • Cerebral Palsy • Coronary Artery Disease in combination with Diabetes • Cystic Fibrosis 	<ul style="list-style-type: none"> • Dementia • Down's Syndrome • Ebola • Huntington's Disease • Mental Incapacity/Organic Brain Syndrome • Muscular Dystrophy • Organ Transplant (other than Kidney donor)
2. Last Year or Less	
<ul style="list-style-type: none"> • Unable to perform Activities of Daily Living for 7+ consecutive days during the past 6 months; dressing, eating, ambulating, toileting, or bathing 	<ul style="list-style-type: none"> • Current hospitalization or confined to a bed/nursing facility • Hospice care received or recommended • Unexplained loss over 20 pounds
3. Last 5 years	
<ul style="list-style-type: none"> • Alcohol/Drug abuse • Aneurysm • Anorexia/Bulimia • Cancer or recurrence and or metastasis of Cancer • DWI/DUI • Heart Attack • Malignant Melanoma • Multiple Sclerosis • Narcolepsy 	<ul style="list-style-type: none"> • Pacemaker • Post-traumatic Stress Disorder • Psychosis • Schizophrenia/Bipolar Disorder • Stroke/TIA • Suicide Attempt • Tuberculosis
4. Last 10 years	
<ul style="list-style-type: none"> • Cardiomyopathy • Chronic Obstructive Pulmonary Disease • Cirrhosis of the Liver • Congestive Heart Failure • Coronary Artery Disease • Diabetes with insulin use • Emphysema/Chronic Bronchitis • Heart Valve Replacement • Hemochromatosis • Hepatitis other than Type A 	<ul style="list-style-type: none"> • Hydrocephalus (water on the brain) • Immune System Disorder • Kidney failure or dialysis • Leukemia/Lymphoma • Oxygen use (or recommended use) • Paralysis (hemiplegia, paraplegia, quadriplegia)

Fig 3.11

Height	Weight Min	Weight Max
5'0"	85	217
5'1"	88	224
5'2"	91	232
5'3"	94	239
5'4"	97	247
5'5"	100	255
5'6"	103	263
5'7"	106	271
5'8"	109	279
5'9"	112	287
5'10"	115	296
5'11"	119	304
6'0"	122	313
6'1"	126	322
6'2"	129	331
6'3"	133	340
6'4"	136	349
6'5"	140	358
6'6"	143	367

Examples are for educational purposes only. Do not base insurance, investments, financial planning, legal planning, or tax planning decisions on these examples.

Policy 4

This policy has very easy underwriting because it uses your money in the beginning to pay you back benefits. After your money is used up paying for long-term care, then the benefits come out of the insurance company's money. It pays out either two or three times your initial payment, depending on your health (underwriting) when you applied. The premiums below include 5% inflation.

Single Premium Deferred Annuity with 2x LTC or 3x LTC
Benefit Period: 72 Months • Inflation: 5% Compound
Waiting Period: 60 Days for Confinement/0 Days for Home Health Care

The “monthly” benefit in the tables below is the long-term care benefit you will receive each month at that age. The “LTC Max” benefit is the most long-term care benefit you will receive in your lifetime. These benefits grow over your lifetime because of the 5% compounded inflation factor.

Fig 3.12 (Part A & B)

Age 55				
2X			3X	
Single Premium: \$125,000 Death Benefit: \$107,250			Single Premium: \$92,500 Death Benefit: \$74,099	
AGE	MONTHLY INCOME	LTC MAX	MONTHLY INCOME	LTC MAX
55	\$3,000	\$216,045	\$3,046	\$220,317
70	\$5,894	\$321,588	\$6,032	\$301,162
80	\$9,601	\$455,405	\$9,825	\$546,285
90	\$15,683	\$373,142	\$16,003	\$843,111
100	\$25,473	\$1,027,574	\$26,067	\$1,326,446

Fig 3.12 (Part C & D)

Age 70				
2X			3X	
Single Premium: \$130,000 Death Benefit: \$109,708			Single Premium: \$95,000 Death Benefit: \$72,264	
AGE	MONTHLY INCOME	LTC MAX	MONTHLY INCOME	LTC MAX
70	\$3,029	\$218,725	\$3,000	\$216,233
80	\$4,698	\$278,830	\$4,653	\$295,607
85	\$5,996	\$325,555	\$5,939	\$357,313
90	\$7,653	\$385,190	\$7,579	\$436,067
100	\$12,465	\$558,439	\$12,346	\$664,860

Examples are for educational purposes only. Do not base insurance, investments, financial planning, legal planning, or tax planning decisions on these examples.

Policy 4 Underwriting (Simplified)

Fig 3.13

Qualification for 2x	
1. Are you currently hospitalized, confined to a bed, or residing in an Assisted Living Facility?	
2. In the last 12 months have you applied for any long-term care policy or long-term rider that was declined or postponed?	
3. Are you currently using, or in the past 12 months, have you been medically advised by a Healthcare Professional to use, any of the following?	
<ul style="list-style-type: none"> • Care in a nursing facility • Dialysis machine • Home Health care services • Hospice Care • Hospital bed • Motorized scooter 	<ul style="list-style-type: none"> • Multi-prong cane • Oxygen • Stair Lift • Walker • Wheelchair
4. Do you require assistance or supervision in performing any of the following activities?	
<ul style="list-style-type: none"> • Bathing • Dressing • Eating • Getting in or out of a chair or bed 	<ul style="list-style-type: none"> • Managing your bowel or bladder • Taking medication • Toileting • Walking
5. In the last 7 years	
<ul style="list-style-type: none"> • Alzheimer's disease or dementia • Autoimmune disorder/disease such as Lupus, Systemic Scleroderma, CREST syndrome • Connective Tissue disease • Cirrhosis • Hepatitis • Huntington's disease • Lou Gehrig's disease (ALS) • Mental incapacity or retardation • Mild cognitive impairment (MCI) • Multiple Sclerosis • Muscular dystrophy 	<ul style="list-style-type: none"> • Organ transplant other than cornea or kidney • Organic brain syndrome • Paralysis • Parkinson's disease • Recurrent memory loss • Smoking in conjunction with Emphysema, COPD • Spinal Stenosis or Chronic Back pain with use of narcotic medication • Stroke or Multiple Transient Ischemic Attack (TIA)

Fig 3.14

Qualification for 3x	
<p>6. In the last 12 months</p> <ul style="list-style-type: none"> • Aneurysm • Any fall resulting in a fracture • Cardiomyopathy • Congestive heart failure • Heart bypass surgery • Heart valve replacement 	<ul style="list-style-type: none"> • Hospitalized overnight 2 or more times • Multiple falls • Seizure or convulsion • Tremors • Vascular surgery
<p>7. In the last 5 years</p> <ul style="list-style-type: none"> • Alcohol or drug abuse or dependency • Blood clotting deficiency • Cancer other than non-melanoma skin cancer • Hodgkin's disease or other lymphoma • Leukemia • Von Willebrand disease 	<ul style="list-style-type: none"> • Hospitalization for depression, bipolar disorder or any other psychiatric disorder • Idiopathic thrombocytopenic purpura (ITP) or essential thrombocythemia • Smoking with peripheral vascular disease, diabetes, or renal disease
<p>8. In the last 7 years</p> <ul style="list-style-type: none"> • Bipolar disorder, schizophrenia, or other psychosis • Chronic kidney failure • Diabetes currently treated with insulin • Diabetes with a history of TIA, Stroke, Neuropathy, kidney disease, peripheral vascular disease, or congestive heart failure • Kidney or cornea transplant 	<ul style="list-style-type: none"> • Myasthenia gravis • Rheumatoid arthritis requiring use of narcotic medication • Rheumatoid arthritis with joint deformity • Rheumatoid arthritis with joint replacement • TIA with history of heart disease

Policy 5

This is a traditional Universal life policy that offers a choice of paying annual premiums for life, 10 years of premiums, or a single premium. It has no inflation, so you may want to buy a larger policy in the first place. This policy requires full underwriting, which means qualifying for it might be difficult.

Universal Life Insurance with Long-Term Care Rider
 Monthly Benefit: \$3,000 • Maximum Benefit: \$150,000
 Benefit Period: 50 Months • Waiting Period: 90 Days
 Death Benefit: \$150,000 • Inflation: None

Fig 3.15

Age 55	Age 70
ANNUAL PAY FOR LIFE	ANNUAL PAY FOR LIFE
\$2,432	\$5,490
ANNUAL PAY FOR 10 YEARS	ANNUAL PAY FOR 10 YEARS
\$5,209	\$9,419
SINGLE PAY-ONE TIME	SINGLE PAY-ONE TIME
\$49,717	\$92,668

Policy 6

This policy works best for clients who have major health conditions that would disqualify them for the other policies that require underwriting. A large premium is paid into an annuity to purchase a deferred or future monthly income. The longer you wait to start the income, the larger the income you receive. The income is guaranteed to last for your entire lifetime. If and when you qualify for long-term care, the monthly income is doubled, and stays doubled as long as you need long-term care or for five years, whichever is shorter. The maximum benefit is equal to the cash value in the policy, meaning when you run out of money, you run out of benefits.

Single-Premium Deferred Annuity with Guaranteed Withdrawal
 Rider Enhanced for Long-Term Care
 Maximum Benefit: Cash Value
 Benefit Period: Cash Value • Waiting Period: 0 Days
 Inflation: None • Death Benefit: Equals Cash Accumulation
 Minus Income Withdrawals
 Use Qualified (IRA) or Non-qualified Funds to Pay the Premium

Fig 3.16

Age 55			Age 70		
Single Premium: \$100,000					
AGE	MONTHLY INCOME	MONTHLY LTC INCOME	AGE	MONTHLY INCOME	MONTHLY LTC INCOME
65	\$720	\$1,440	80	\$956	\$1,991
75	\$1,498	\$2,995	90	\$1,632	\$3,263

The only health question asked is, “Do you currently need human assistance with bathing, dressing, transferring, toileting, eating, or continence?”

Examples are for educational purposes only. Do not base insurance, investments, financial planning, legal planning, or tax planning decisions on these examples.

3.3.4 Self-Insurance

“**SELF-INSURANCE** means providing the entire long-term care bill yourself from your income and assets. This requires careful planning so your family members will know what to do when and if you start to need outside care. It is much better to have a financial planner doing this work for you now than to have a nursing home administrator doing these calculations when you are being admitted.

“We start with your Social Security check and any other income you receive that is reliable. We deduct ongoing monthly expenses that won’t go away if you are receiving care. The net number is applied toward the long-term care bill and what’s left is the monthly dollar amount needed to fill the gap. Then we add up your financial assets and begin paying the gap number out of interest first, principal second. We recommend using your remaining IRA money first, because the assisted living or nursing home bill will give you a big tax deduction as a medical expense. This hit me while doing my Mom’s taxes after she was confined. She had \$66,000 in medical expense deductions and very little income to deduct it against. We sell annuity products from several different insurance companies that allow you to defer income taxes on current earnings until you draw the money out. (An annuity is a series of payments you receive over a period of time, open specified as for life.) Some of the companies enhance the monthly income available to you if you use it to pay for long-term care. **Self-insurance may be your only option if your health conditions limit your options for buying insurance**” (chapter 4, *The Complete Cardinal Guide*).

A long-term care self-insurance solution for people who are over age 74 and already receiving care is now available. It is offered by a large A+-rated insurance company. George is 79 years old and had a major stroke. He is currently receiving care in an assisted living facility. His stepdaughter, who legally serves as his power of attorney, recently applied for this policy on George’s behalf. George had \$292,000 in a savings account earning very little interest. The insurance company did what is called reverse underwriting and determined that for that amount of money, they can write a policy to pay him \$3,020 monthly for the rest of his life. This income will pay 60% of his assisted living rent. If George dies in the first two years, the premium will be partially refunded to his heirs. If he lives for 15 years, the insurance company will pay out a lot more than was paid in (chapter 4, *The Complete Cardinal Guide*).

Hybrid Policy Comparison

All of these hybrid policies were formed after the Pension Protection Act was passed in 2006. They start out with a lump sum of money and make payments to a beneficiary if there is unused money in the account. Some of these policies require additional payments after the initial lump sum, some do not. The health questions also differ between policies, making some easier to qualify for than others. The differences among all hybrid policies stem from the fact that they are developed by insurance companies that are using their creativity to solve this problem in their own unique way.

Reading Check

Sue is 70 years old and does not feel she can pay a monthly premium for long-term care. She does have \$100,000 in a CD at the bank paying less than 1% interest. What type of long-term care policy would you recommend for Sue?

3.4 Medicaid and Long-Term Care

Medicaid—the federal government health insurance program for low-income people—will provide long-term care (in a Medicaid-approved bed) after you have spent your assets down to a very low level (it varies by state). You are not allowed to give your assets away to qualify for Medicaid.

Most states have a partnership program that allows you to purchase a partnership-approved long-term care insurance policy. A partnership policy allows your estate to retain a higher level of assets and still go on Medicaid. Listed below is a chart listing which states participate.

Fig 3.17

STATE	EFFECTIVE DATE	POLICY RECIPROCIITY
Alabama	3/1/2009	Yes
Alaska	Not Filed	--
Arizona	7/1/2008	Yes
Arkansas	7/1/2008	Yes
California	Original Partnership	--
Colorado	11/1/2008	Yes
Connecticut	Original Partnership	Yes
Delaware	11/1/2011	Yes
District of Columbia	Not Filed	--
Florida	1/1/2007	Yes
Georgia	1/1/2007	Yes
Hawaii	Pending	--
Idaho	11/1/2006	Yes
Illinois	Pending	--
Indiana	Original Partnership	Yes
Iowa	1/1/2010	Yes
Kansas	4/1/2007	Yes
Kentucky	6/16/2008	Yes
Louisiana	10/1/2009	Yes
Maine	7/1/2009	Yes
Maryland	1/1/2009	Yes
Massachusetts	Proposed	--
Michigan	Work Stopped	--
Minnesota	7/1/2006	Yes
Mississippi	Not Filed	--
Missouri	8/1/2008	Yes

STATE	EFFECTIVE DATE	POLICY RECIPROCIITY
Montana	1/1/2009	Yes
Nebraska	7/1/2006	Yes
Nevada	1/1/2007	Yes
New Hampshire	2/16/2010	Yes
New Jersey	7/1/2008	Yes
New Mexico	Not Filed	--
New York	Original Partnership	Yes
North Carolina	3/7/2011	Yes
North Dakota	1/1/2007	Yes
Ohio	9/10/2007	Yes
Oklahoma	7/1/2008	Yes
Oregon	1/1/2008	Yes
Pennsylvania	9/15/2007	Yes
Rhode Island	7/1/2008	Yes
South Carolina	1/1/2009	Yes
South Dakota	7/1/2007	Yes
Tennessee	10/1/2008	Yes
Texas	3/1/2008	Yes
Utah	Not Filed	--
Vermont	Not Filed	--
Virginia	9/1/2007	Yes
Washington	1/1/2012	Yes
West Virginia	7/1/2010	Yes
Wisconsin	1/1/2009	Yes
Wyoming	6/29/2009	Yes

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Reading Check

Alvin has been researching long-term care that might be suitable for him. He believes that Medicaid might be a viable option for him. What might have led Alvin to think that? If he doesn't meet the income requirements for Medicaid, are there other options out there for Alvin? During his research Alvin also learned about Partnership Programs. How do Partnership Programs work?

3.5 Veterans Aid and Attendance

Veterans and their spouses requiring long-term care could qualify for the Veterans Aid and Attendance program. This special program pays an additional monthly pension benefit to qualifying beneficiaries who need home health care or are house-bound. Like Medicaid, a number of qualifications must be met to participate in the program.

Veterans who served during wartime and received an other-than-dishonorable discharge could qualify for the program. Additional financial and asset qualifications must also be met. Though most senior centers around the country offer assistance completing the application, that assistance is severely limited. The volunteers are prevented from giving financial or legal advice. The planning services provided by professionals may carry a charge, but the Department of Veterans Affairs prohibits charging a fee to help file the Aid and Attendance paperwork. You can search for accredited representatives and attorneys on the VA website: <https://www.va.gov/ogc/apps/accreditation/>.

Reading Check

Who should seek help for Veterans Aid and Attendance? Can someone be charged for receiving help filling out an application for Veterans Aid and Attendance? What are some of the criteria established by Veterans Affairs for Veterans Aid and Attendance?

PLANNING FOR LONG-TERM CARE

If my spouse or I need care, we prefer that care take place:

..... at home or in assisted living

If one or more of my adult children or nieces/nephews need to look after my affairs when I am incapacitated, that person is/are:

Power of Attorney

Health-Care Power of Attorney.....

HIPAA Release

From the examples shown in this module; I am most interested in

..... Short-Term Care

..... Traditional Long-Term Care

..... Hybrid Long-Term Care

..... Self-Insurance