A SPECIAL PLANNING GUIDE
FOR KIPLINGER'S PERSONAL FINANCE READERS

Smart & Affordable Ways

To Plan for Long-Term Care in the "New Economy"

An economic environment of tight budgets and disciplined spending clearly affects the financial decisions you make today, and how you plan for your future. Today, we look at smart approaches that can help budget-minded planners hedge against the risk of needing long-term care tomorrow.

Alternate policy design strategies

One mistake people can make is to look at an initial quote for coverage, decide it's too much, and walk away. Some LTC insurance protection is almost always better than none. You simply need to work with your insurance or financial professional and tinker with the policy design until the premium fits your budget.

Suggestion—Consider leaving off traditional inflation protection

Compound inflation options that automatically increase your benefits each year are expensive, especially when you purchase coverage in your 50s. That's due to the low interest rate environment.

If you forego inflation protection, consider purchasing a higher initial Daily Benefit amount, to help account for higher costs of care in the future. In addition, consider a shorter Benefit Period, such as 3–5 years at the most. Advantages include:

- **Cost savings** — While your future Total Pool of Money may be less than it would be with compound inflation protection, you can significantly reduce your annual premium and still have sufficient coverage to help cover most care needs.
- **Higher level of "immediate" protection** — At day one, you start with a higher Daily Benefit amount and significant Pool of Money, providing added protection in the event of an unforeseen accident or illness in the near term.
- **Option to "buy-up" more coverage later** — For those who forego traditional inflation protection, many carriers offer an option to "buy-up" small amounts of additional coverage at a later date, with no medical questions or exams. While your premium will rise based on the incremental benefits you purchase, you maintain the flexibility to increase coverage down the road if your needs or budget situation changes.

COMPARING COSTS—INDIVIDUAL AGE 55[1]

Comparison of policies combining longer Benefit Periods with annual inflation increases versus policies with shorter Benefit Periods, larger Daily Benefits, and future purchase options (FPO).[1]

Initial Daily Benefit	Benefit Period	Inflation Protection	Total Pool Today	Total Pool at Age 75	Average Annual Premium
$150	6 years	5% Compound	$328,500	$988,000	$4,045
$150	6 years	3% Compound	$328,500	$640,000	$2,510
$300	3 years	None (FPO)	$328,500	$328,500	**$2,085**[2]
$250	3 years	None (FPO)	$273,750	$273,750	**$1,740**[2]

1. AALTCI average price calculation of leading insurers, July 2012. Individual, age 55. Actual premiums may vary higher or lower.
2. Future purchase options vary among insurers, and will increase your premium if/when you purchase additional coverage.

Start your plan now versus later

The simplest way to keep your annual premium low is to start your plan early. Today, your early-to-mid-50s is a good age band for affordable premiums, and increases your likelihood for a "good health" discount.

Your next step

Speak with your insurance or financial professional. Review cost of care information for providers in your area. Ask to see different policy designs, so that you can help hedge your risk of needing care, at a premium that fits your current budget.

LTC PLANNING GUIDES

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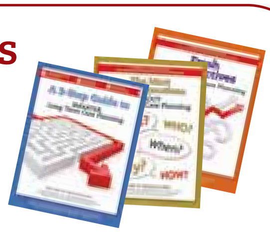

American Association for Long-Term Care Insurance

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