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Financial Planning & Investment Management

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The Savvy Investor

Six Ways to Reduce the Cost of Long-Term Care Insurance

You may find that long-term care salespeople want to sell you the most expensive policy. Complete coverage (inflation protection, lifetime coverage, at least \$100/day benefit) is frequently advisable. However, if this is not affordable, it may be better to have at least a basic policy than to have none at all.

Here are six ways to reduce costs. None of us know when such a health catastrophe can strike, so consider protecting yourself and your family financially.

1. Reduce the coverage period

For example, reduce the term of the policy from 4 years to 3 years. Savings can still be significant and a 3-year policy covers 80% of the cases of long term care.

2. Reduce the daily benefit

The actual cost of nursing care averages \$140/day. If you cover just \$100 or \$90 per day with insurance, many people can make up the difference with social security or interest income.

3. If you are age 75 or over, consider dropping the inflation protection

Although you will hopefully never need long term care, if you do, you are likely to need it within 10 years--by age 85. Therefore, you

do not need to protect for inflation over as long a period of time as, for example, a 65-year-old would need to prepare.

4. Consider partial home care coverage

Many companies offer, as an example, \$100/day benefit for nursing home payments and \$50/day for home care payments (home care payments are typically less expensive). By reducing the benefits for home care, you can lower your premium.

5. Eliminate home care insurance

Many people have a spouse or friends or relatives that can assist them in the home. Hired home aides are relatively inexpensive (\$12-\$15 per hour). Care at home may easily be covered within the means of your own income. The most important coverage to obtain is for care outside of the home.

6. Consider the return of premium option

Although this makes the monthly premium more expensive, some or all (depending on the company) of the premiums you pay will be refunded to you if you do not use the insurance. This makes the overall cost of insurance very inexpensive for those fortunate people who do not incur long-term care expenses.

We work with an team of estate attorneys to assure that your estate plans meet your wishes.