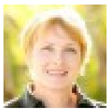
8 Solutions That Will Save You Money When You Can’t Get Long-Term Care Insurance



By Anne Dullaghan
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Most people don’t want to think about the need for long-term care — it’s far off in the future for most, and who likes to contemplate being older and not able to do the things you used to do? LongTermCare.gov estimates that 70 percent of people turning 65 can expect to use some form of long-term care, which generally covers things like home care, assisted living and hospice care, during their lives.

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The average cost can be anywhere from $3,500 per month depending on where you live, according to Genworth Financial. That's a significant amount of money that can quickly eat into even the most hefty of savings. Long-term health care is generally not covered by health insurance. So, what do you do when you can't qualify for long-term care insurance?

Here are eight options to plan for the future and help safeguard your finances.

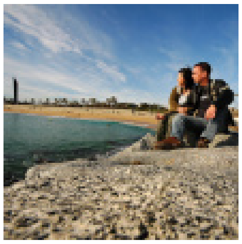
1. Apply for long-term care insurance sooner than later.

A long-term care insurance policy that features comprehensive benefits — such as a short waiting period, lifetime benefit payment period, high daily benefit, and inflation protection on the daily benefit — also requires the highest premiums.

Financial experts recommend purchasing long-term care insurance around age 50 when your health is generally better rather than waiting until later in your 70s when major health issues tend to appear and can cause you to become uninsurable.

2. Purchase catastrophic long-term care insurance.

This type of policy can significantly reduce the premiums you pay, compared to a standard comprehensive policy, however, it can help protect your finances from being depleted by the need to stay for many years at an expensive hospital. Insurance professionals quote an average of 25 to 40 percent savings on yearly premiums if you choose a waiting period of up to one year before receiving benefits.



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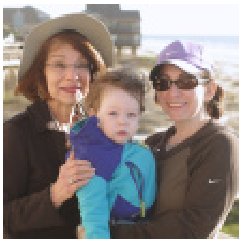

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3. Create a separate savings account.

Make sure that it is separate from the household account, emergency savings and retirement to fund long-term care expenses should you need them. Consider using a Health Savings Account (HSA), which is a savings account established in connection with a high-deductible health plan (HDHP). HDHP policies a minimum deductible of $1,250 for a single person or $2,500 for a family policy.

The advantage of an HSA is that it allows you to make those deductibles with pre-tax dollars. Even better, unlike a flex-spending account, the money you contribute to an HSA carries over at the end of the year and is allowed to accumulate. The younger you are when you start an HSA and invest your surplus funds into securities, the greater opportunities you have to grow your funds. This is particularly advantageous to younger individuals with fewer health care concerns.

By maximizing contributions and investing the holdings, you can create a fund for future health care expenses. The drawback, is that once you are eligible and enroll in Medicare, you may no longer contribute to your HSA.

4. Medicaid or other government programs

If you cannot qualify for long-term care insurance coverage and do not have the resources to pay for long-term care yourself, the only way to receive services is through Medicaid. “Your eligibility for Medicaid services and protected assets will vary by state, so it’s important to consult with a qualified tax or estate planning attorney,” notes Rob Drury, executive director of Association of Christian Financial Advisors.

“Your assets must be ‘spent down’ to a state-specific level and owning a home, a vehicle above a certain value or investment may disqualify you from receiving Medicaid.” Additionally, Drury points out that you cannot simply transfer assets from your name into a trust or to another person.

5. Tap into your home’s equity.

This is tricky, as home values are still rebounding and you certainly do not want to jeopardize one of the largest investments you own, if you don’t need to. If you decide to use your home’s equity, make sure you know the pros and cons of taking out this type of loan. You may also decide to sell your house and take the proceeds to take care of medical and long-term care needs.

6. Purchase long-term care coverage on the most qualifying spouse.

If you are married, an option could be to buy long-term care insurance on only the wife. This is because men are traditionally the ones who will need care before women. Additionally, wives become the primary caregivers and after the husband passes away, she may not have someone to care for her.

7. Rely on your retirement accounts.

This is what your retirement savings is for — you should be able to tap into the principal to support yourself and fund your needs. If you do not have large medical expenses, consider living off the interest or dividends from your IRA or 401(k) accounts. This will help to extend your retirement savings throughout your life.

8. Enroll in a state partnership for long-term care program.

“The Partnership for Long-Term Care Program has reduced premiums that are more affordable than traditional long-term care insurance and works in conjunction with Medicaid,” says R. Joseph Ritter, Jr. CFP, of Zacchaeus Financial Counseling, Inc. “The great feature about the program is that it allows an individual to choose the amount of assets to protect from Medicaid.”

Here’s how it works. Let’s say you have $300,000 of assets that you want to protect — a home, car and bank account. The solution would be to purchase long-term care insurance through the partnership program with a total benefit of $300,000 if you qualified. Once the benefit is exhausted, Medicaid begins paying the expenses of the remaining care and does not seek to recover anything from the $300,000.

"Individuals can try moving money and assets around to protect them from Medicaid recovery, however, no one can guarantee they will remain in full health for the entire five-year Medicaid look-back period," says Ritter. "The partnership for long-term care program stands out as a real option because it provides assurances that Medicaid will not seek to recover any of the protected assets."

Not everyone will be able to qualify or purchase long-term care insurance. However, with some advanced planning, it is possible to ensure you receive long-term care, should you need it in the future.

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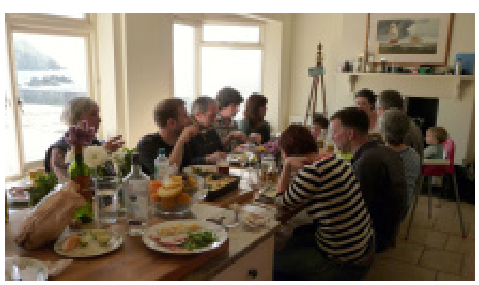

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