

The Case For Selling LTC Insurance To Boomers

BY SANDRA TIMMERMANN

IT'S NO SECRET THAT AMERICANS are living longer lives. Over the past 100 years, life expectancy has increased by over 50%. But with a longer life span comes additional burdens. As longevity increases, so does the likelihood individuals will need assistance with day-to-day activities. In fact, nearly 40% of people needing long

term care are adults 18 to 64 years old, and that percentage rises with age: Americans who reach age 65 have at least a 60% chance of needing long term care at some point, according to the American Society on Aging.

For baby boomers, this likelihood is causing considerable concern. The MetLife Survey of American Attitudes toward Retirement found that 88% of baby boomers worry about not being able to function due to physical limits as they age.

Insurance agents and financial advisors can play an important role in helping boomers plan for their long term care needs and protect against the financial risks associated with the spiraling cost of care.

UNDERSTAND THE NEED

While most baby boomers understand that they will most likely need long term care at some point in their lives, few have factored the cost of care into their retirement plans. As a result, they underestimate the impact of a health-related event or LTC condition on the projected stream of income they will need to live comfortably in retirement.

Consider the following statistics, gleaned from the Long Term Care IQ Study from the MetLife Mature Market Institute:



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► **AS LONGEVITY INCREASES**, so does the likelihood individuals will need assistance with day-to-day activities. Americans who reach age 65 have at least a 60% chance of needing long term care at some point.

- Fewer than 4 in 10 consumers surveyed understood the projected longevity for someone who is age 65.
- 3 out of 4 incorrectly identified the percentage of people over age 85 that need assistance with activities of daily living.
- Only 1 in 5 correctly identified that most long term care takes place in the home.
- Almost half underestimated the cost of care in a nursing home.
- 4 in 10 mistakenly believed they are entitled to basic coverage for long term care from the government.
- More than 6 out of 10 did not correctly

estimate the cost of waiting to buy LTC insurance until an older age.

For advisors and agents, the message is clear: Boomers need to begin thinking about, and planning financially for, their own and their spouse's long term care. This means discussing the pros and cons of various types of care (such as home-based, assisted-living or nursing home). It also means developing a financial plan to fund the costs associated with long term care.

FINANCIAL CONSIDERATIONS

Factoring LTC costs into your clients' post-retirement budget and expenses is a critical yet often overlooked step in retirement planning. Wealth preservation is a major goal for most retirees. And, for clients who don't have LTC insurance, the cost of care is one of the biggest unprotected retirement risks.

According to the MetLife Market Survey of Nursing Home & Home Care Costs, released in 2006, the national average daily rate for a private room in a nursing home is \$206, or \$75,190 annually, while the national average daily rate for a semi-private room in a nursing home is \$183, or \$66,795 annually. Most Americans cannot afford this kind of care without financial assistance.

NONFINANCIAL CONSIDERATIONS

Yet the value of LTC insurance goes beyond financial considerations. Most retirees want to know that they will be able to continue to live independently, even if they eventually need long term care. For boomers, this desire is particularly acute. Well-known as freedom-seekers, today's boomers want above all to maintain their independent lifestyles. In keeping with this desire, most boomers plan to continue living in their own homes during retirement, assuming health or caregiving

► *continued on page 65*

SELLING LTC INSURANCE

continued from page 26

issues do not preclude them from doing so. Another Institute study, *The Future of Retirement Living*, found that 86% of pre-retirees who currently live in their own homes would like to continue living there during retirement—a and 49% hope to remain in their homes, even if they begin to need day-to-day assistance or continuing care during retirement.

INSURANCE CAN EQUAL INDEPENDENCE

To turn this hope into a reality, boomers will need to plan for the possibility that they may someday experience a long term care illness and need assistance. While loved ones may be available to provide support, boomers may also need services from paid caregivers. Depending upon the level of care required, they may need either a large nest egg or an LTC insurance policy to pay for the care services that will allow them to remain at home.

The National Alliance for Caregiving and the AARP estimate that 44 million Americans, or 21% of all U.S. households, provide care for an adult family member or friend age 18 and older. While caregiving can be rewarding, it can also be emotionally, physically and financially exhausting.

LTC insurance can provide boomers with the peace of mind needed to remain independent and in their own homes for as long as possible, without needing to rely on family members or loved ones. Some LTC policies will even reimburse family members if they provide in-home care.

While few boomers want to think about growing old and being physically disabled, most worry about the risks associated with long term care costs. Advisors and insurance agents who help boomers protect against these risks will lay the foundation for a strong retirement plan—one grounded in preparation, independence and peace of mind. ■