



Protecting Retirement Assets & A Lifestyle From Cognitive Impairment

You've worked hard and saved your entire life to be able to enjoy the lifestyle. However any type of an unreimbursed long term care expense, be it for a mental or physical impairment can of course completely ruin your and your spouse's retirement plans. After the well spouse and their family gets over the mental shock, and the adjustment to what must now become the new normal, the reality of the situation begins to kick in.

Depending on the arrangements the family was able to make beforehand will determine the quality of their and the afflicted spouses life going forward. The question as to whether your client's family will have to care for, or merely be able to care about the afflicted spouse will of course depend on what types of arrangements were made while everyone was healthy. While no one wants to think of or make arrangements for these types of unfortunate situations the fact remains that a growing percentage of our population is affected. Approximately 10 million Americans have some form of dementia while another 2 million new cases are reported annually. Almost 70% of those individuals over the age of 80 are diagnosed with some form of dementia. The question of course becomes to what extent, and to what degree will the couple's retirement funds have to be used to care for the ill spouse, and what affect will that have on the lifestyle of the well spouse. Depending on the advanced directives made prior to the illness, they will determine the extent that the well spouse will be able to make estate planning decisions for the afflicted spouse.

The next question of course becomes, where will the money come from to pay for the needed care? What assets will be protected and what assets will need to be liquidated. This problem is compounded by the fact that those assets may need to be liquidated at perhaps the absolute worst time, to pay for these expenses. Privacy issues can also be a huge problem for the entire family in the event of a single spouse who is on the verge of not being able to make proper financial decisions if advanced planning directives, i.e. power of attorney were not properly addressed prior to an individual beginning to cognitively slip. In addition there can be delays and unnecessary expenses if the courts through a guardianship have to get involved. Guardianships are not only costly but often times bring with them a great deal of additional stress and time delays, if not properly planned ahead.

Someone or some entity will always have to pay for the care. Whether it's the family providing for the care on their own, or whether the funds come from Medicaid, or from their own Investment portfolio. The best alternative would of course be from a tax qualified long term care Insurance product. My 39 years of experience has shown that an ill spouse will receive a better level of care when the funds come from an outside source, rather than from their own funds or from the efforts of a family member providing the care on their own. Many individuals/parents erroneously feel that their spouses or children will be able to provide the care they'll need. But unfortunately nothing may be further from the truth as the spouse may be physically incapable of providing the necessary physical care needed, and the children are too busy and involved in their own lives.



All too often, individuals wait too long to consider taking advantage of the best alternative to pay for these expenses, a traditional standalone long term care Insurance contract. Either the costs become too high to consider due to their advanced age, or worse the Individual becomes uninsurable and is unable to medically qualify for the coverage. A long term Insurance contract can be purchased to provide a set dollar amount \$100 -\$500 on a daily basis. The coverage can pay a benefit for a minimum of 2 years to a maximum of 6 years after a 90 day waiting period. Most contracts are of a comprehensive nature meaning that they will pay for care in an Insured's home, an assisted living facility, or in a skilled nursing facility. They will pay for all 3 levels of Care. Custodial Care meaning an individual may merely need help with the activities of daily living, i.e. eating bathing dressing transferring or continence, which can be provided by a home health aide, or shopping and housecleaning services provided by a homemaker. On the other end of the spectrum a contract will pay for skilled care provided by a nurse or occupational therapist, as well as any combination of the above.

The reason many individuals are reluctant to purchase such a contract is because they feel what if I pay for a contract and then never need to collect the benefits? As a result of the recently enacted Pension Protection Act, a new option called a linked benefit life and long term care Insurance product became available Jan 2012, which now allows an individual to access up to \$122,000 annually adjusted for inflation, on a tax free basis from the death benefit of a life Insurance contract to pay for a qualifying long term care expense. The benefits from any traditional standalone long term care contract can be accessed in the event that an individual is unable to do 2 of the activities of daily living, or in the event of any type of a cognitive impairment as diagnosed by their physician. Combination or Linked products contain either a Chronic Care rider with No upfront cost and more restrictions, or a Long Term Care rider with an upfront cost, accompanied with more liberal access to potential benefits. In either case access to the death benefit provides significant leverage. Also available as of Jan 1 2011 is the ability to avoid tax on the gains of an annuity contract if it is used to purchase a long term care contract.

A long term care Insurance contract is one of the best ways to protect an individual's independence, dignity, and their retirement lifestyle. A family is better off "Caring about their loved one, rather than "Caring for their loved one". My best advice is to consider the purchase of a traditional standalone or linked benefit long term care Insurance contract while they are young, and healthy..

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