



Long Term Care University

Long Term Care University – Question of the Month

By Aaron Skloff, AIF, CFA, MBA

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Q: What is the best age to buy Long Term Care Insurance?

The Problem – Determining the Best Age to Buy Long Term Care Insurance

Waiting to purchase technology gadgets can often be advantageous. For example, the fancy computer that costs \$1,000 today is likely to drop in price to \$800 in a year or two. Delaying the purchase of long term care insurance, on the other hand, can often be disadvantageous – as outlined below. **While any one item on the list below can increase the price of your policy, the combination of two or more items can have a multiplier effect on the price – possibly doubling the price of your policy.**

1. If you already need long term care, insurance companies will consider you uninsurable and prohibit you from purchasing a policy.
2. If your health deteriorates, insurance companies will charge you 15%-75% more for the same level of coverage.
3. If long term care costs continue rising at the same pace, you will need to buy 5% more coverage each year you delay your purchase.
4. As you grow older insurance companies charge more for the same level of coverage.
5. Some states have minimum purchase requirements for their Partnership Programs (long term care insurance policies that protect assets away from Medicaid). Some states, including California and Connecticut, increase their minimum purchase requirements by 5% each year, increasing the price by 5%.
6. Insurance companies regularly raise rates for new applicants, oftentimes 10%-30%.

The Younger You Are, The Lower Your Premiums. Long Term Care Insurance companies price policies to reflect their risk. The longer they collect and invest your premiums, the lower the insurance company's risk, the lower your annual premiums and the lower your cumulative premiums paid to age 85. The companies publish Cost of Waiting tables to show prices at various ages.

Numbers Speak Louder Than Words. The table entitled **Cost of Waiting 2014** represents the annual premium, cumulative premiums if paid to age 85 and the cost of waiting 1, 5 and 10 years. The table reflects benefits of \$200 per day of care for 5 years, with 5% compound inflation protection, and a 90 day elimination period, for a 50-year-old husband and wife, per person. **Delaying the purchase from age 50 to 55, increases the annual premium by \$1,266 and the cumulative premiums if paid to age 85 by \$22,566.**

			Cost of Waiting 2011			Cost of Waiting 2014			Premium Increase 2014 vs 2011
When Purchased	Age	Daily Benefit	Annual Premium	If Paid to Age 85	Cost of Waiting	Annual Premium	If Paid to Age 85	Cost of Waiting	
Today	50	\$ 200	\$ 1,835	\$ 64,210	\$ 0	\$ 2,844	\$ 99,541	\$ 0	55%
In 1 Year	51	\$ 210	\$ 1,941	\$ 66,005	\$ 1,795	\$ 3,059	\$ 104,018	\$ 4,478	58%
In 5 Years	55	\$ 255	\$ 2,485	\$ 74,558	\$ 10,348	\$ 4,070	\$ 122,106	\$ 22,566	64%
In 10 Years	60	\$ 326	\$ 4,014	\$ 100,345	\$ 36,135	\$ 5,455	\$ 136,386	\$ 36,846	36%

Long Term Care Insurance Companies' Cost of Waiting Tables Do Not Emphasize One Critical Point. Although the cost of waiting tables portray the price of policies and the cost of waiting, they do not emphasize the higher rates companies charge new applicants of the same age and health when they introduce new pricing. The **Cost of Waiting 2011** table published at the end of 2011 indicates a 50-year-old would pay **\$64,210** of cumulative premiums if paid to age 85. Less than 2.5 years later, the **Cost of Waiting 2014** table indicates a 50-year-old would pay **\$99,541** of cumulative premiums. **That's a 55% increase or \$35,331 more premiums.**

The Solution – Purchase Your Long Term Care Insurance Now and Assure You Pay the Lowest Price

Any of the six items listed above can lead to your paying significantly more for your policy. There is only one item that is certain on the list of six items; in one year's time you will be one year older. Understand all six items when purchasing Long Term Care Insurance.

Action Step – Purchase Your Long Term Care Insurance Policy When You are Young and Healthy

Purchase your long term care insurance policy when you are young and healthy, assuring you will pay the lowest price possible.

Aaron Skloff, Accredited Investment Fiduciary (AIF), Chartered Financial Analyst (CFA), Master of Business Administration (MBA), is the Chief Executive Officer of Skloff Financial Group, a Registered Investment Advisory firm. The firm specializes in financial planning and investment management services for high net worth individuals and benefits for small to middle sized companies. He can be contacted at www.skloff.com or 908-464-3060.