

The Financial Edge

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Financing Long -Term Care Needs

Long term care can be a devastating financial burden to the elderly and their families. People age 65 now face at least a 40% lifetime risk of entering a nursing home, with 10% of those remaining institutionalized for five or more years. Nearly one-third of all men who turn 65 this year will use a nursing home before they die. For women, the likelihood of a 65 year old entering a nursing home during her lifetime is 55%.

In the Birmingham area, the current annual private pay nursing home charge can exceed \$60,000. This figure continues to increase with medical inflation. In the Northeast, the current private pay rate is \$90,000-\$100,000 per year. If you are age 65 today and may need nursing home care in ten years, it is likely you will be paying \$100,000+ per year. The cost of sitters or home health aides to provide home care can be more expensive than nursing homes, depending upon the level and frequency of care.

Except for the wealthy and very poor, long term care insurance is the best solution to the long term care crisis. So why aren't more people buying long term care insurance to cover possible long term care needs? One reason may be a failure to appreciate the potential cost of such care compared to the premium cost

of long term care insurance. Another reason may be a misconception as to who will pay for long term care needs.

One elderly client wishfully equipped: "I supported three children—surely they will be able to take care of me if I need long term care." In many instances, both spouses are in the work force and have little time to care for an aging parent. Financially, it is impractical for a child earning \$100,000 a year to support his own family and also pay \$60,000+ for sitters or nursing home care for a parent.

Another elderly client remarked: "Doesn't Medicare pay for nursing home care? A recent survey by AARP indicated that a majority of its members believed that Medicare pays for all long term care needs. Unfortunately, Medicare pays very little nursing home costs. Medicare only pays for the first 100 days, and there is a copay after day 20, unless there is a Medigap policy in force. There are several other restrictions also.

The Medicaid program does cover long term nursing home costs. To qualify, you must be "poor." "Poor" means limited income and no more than \$2,000 of countable assets (excluding the family home and other small exempt assets).

Many of the Medicaid planning strategies or "loopholes" were closed by Congress this year. As part of your overall estate planning, including Wills and Advanced Directives, you should consider long term care planning, including the feasibility and affordability of long term care insurance. The insurance can pay not only for possible nursing home care, but also other alternative forms of care, including home care and assisted living facilities. Congress encourages the purchase of long term care insurance by granting tax deductions for premium payments and providing that benefits are non-taxable.

(Source—Joel A. Mendler, *The Counselor*, Fall 2006)

For more information on long term care insurance or a free premium analysis, call or fax us or visit us at:

www.insuringourworld.com



Medicare pays very little nursing home costs!

Later-Life Planning

As people live longer, they will have different needs at different stages of their retirement. For this generation and several past ones, the time between retirement and death has continually expanded. Thanks to spectacular advances in medicine and a new understanding of the aging process, we expect to enjoy a longer and more active old age than any generation in history. And we don't always properly prepare for what is sometimes called "later life."

Part of the problem is our failure to recognize that this stage of life has several distinguishable phases, and that each of these phases requires

different financial strategies. We need to begin to fill in the gap that is now looming between retirement planning and estate planning and to create a process covering the needs of this emerging reality. Call it a plan for "later life." We need to think carefully about its components and how it will integrate at each end with the pre-retirement and estate phases of financial planning. Some of the most important areas to address include the following—
1—Cash flow planning—allocations to travel, gifts, and perhaps some ongoing educational expenses for children and grandchildren.

2—Funding of health problems—can have a profound effect on a person's well-designed retirement and estate plans.

3—Disengagement—The withdrawal from active participation in their financial lives, leaving the management of their affairs to their trusted advisers.

(Source—*Financial Planning*—June '05)

For more information on retirement and estate planning contact us today by fax or mail. You may also visit us at:

www.insuringourworld.com

Quotes From the Masters

- Commitment is that turning point in your life when you seize the moment and convert it into an opportunity to alter your destiny.

- Denise Waitley

- There is real magic in enthusiasm. It spells the difference between mediocrity and accomplishment.

- Norman Vincent Peale

- It's funny about life: if you refuse to accept anything but the very best, you will often get it.

- W. Somerset Maugham

- Whoever renders service to many puts himself in line for greatness—great wealth, great return, great satisfaction, great reputation, and great joy.

- Jim Rohn

- Try to learn something about everything and everything about something.

- Thomas H. Huxley

- Keep your face in the sunshine and you can never see the shadow.

- Helen Keller

- Nothing focuses the mind better than the constant sight of a competitor who wants to wipe you off the map.

- Wayne Calloway

- Problems are only opportunities in work clothes.

- Henry J. Kaiser

- People try to rain on your parade because they have no parade of their own.

- Jeffrey Gitomer

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"Your need is our opportunity."



Insurance and Investment Consultants was incorporated in 1970. Prior to that, the principle stockholder, Walter G. Barnes, had been in the financial services business as a sole proprietor since 1962. Therefore, we have been offering financial services to clients throughout Alabama, as well many other parts of the nation, for over forty years.

We are an independent brokerage agency representing many insurance companies and are free to select from any of these companies the appropriate plan or product that best meets the needs of our clients. We offer a full range of life and health insurance, as well as investments that include mutual funds and variable annuities.

Our pledge to you is - *"In all my relations with clients I agree to observe and follow the following rule of professional conduct: "I shall, in the light of all circumstances surrounding my clients, which I shall make every conscientious effort to ascertain and to understand, give them that service which, had I been in the same circumstances, I would have applied to myself."*

- Society of Financial Service Professionals

Newsletter Editor - Randy Barnes, Vice President

Disability Income Insurance—A True Story

On June 13, 1998, while riding my bicycle on a trail in Granville, Ohio, a three-and-a half-ton tree fell on me, leaving me paralyzed from the waist down. In an instant, my life was forever changed.

I never expected to be permanently disabled—no one does. I rode with safety in mind and was wearing my helmet (which saved me from brain injury). My husband, Mark, was with me and helped save my life.

I owned two businesses—a speaking/training/consulting company and a publishing company. When you own a business and are the sole employee, earned income ceases when you are disabled. My disability resulted in a prolonged interruption of business activities.

At the time of my injury, I had disability income insurance through my state teacher's retirement system. I had been a university faculty member 11 years prior to starting my speaking business and my insurance policy was still in effect.

My disability income insurance was as

valuable to me as my helmet. I never rode my bicycle without a helmet. Likewise, I would have never started my business without disability income insurance.

Disability income insurance safeguarded my risk and provided me an immediate source of income, allowing me to rebound faster from my crisis. This insurance also provided a safety net for Mark. Since we were a two-income family, he knew that part of my income would be restored. We had enough to worry about with my injuries and, fortunately, we didn't have to worry about how a part of my income would be replaced.

Too many people haven't planned for their disability. Those who own their businesses often think they can't afford DI. They need to look at insurance as a necessary overhead expense, and not a luxury. They need to be reminded that they are the business; without them, their business is in serious jeopardy. Americans are far better prepared to die than to become disabled. They've paid for life insurance, their casket,

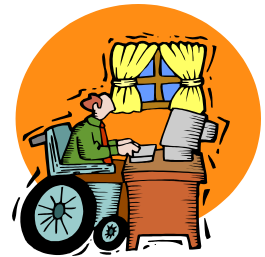
funeral plot, and headstone. They know that death is inevitable. They don't realize that the odds are that they are more likely to become disabled for more than three months in any given year.

One-third of all people between the ages of 30 and 64 will become disabled sometime in their lives. At age 32, the chance of being disabled 90 days is six times greater than the chance of death. Before retirement age, one in seven workers will be disabled for five or more years.

There should be no persuasion needed to convince anyone about the importance of owning disability income insurance. The facts about the likelihood of a disability and the calculation of what is at risk financially should be enough information for anyone to make a smart decision.

(Source—HIU June 2005)

For more information on disability income insurance contact us by fax or mail or visit us at—



The effects of a disability can be devastating. You can reduce the devastation by owning disability income insurance.