



## Insurance Planning

You got where you are today by working hard and working smart. This means using all your resources to their maximum. Your time, talent, and resources are on the line and at risk. It is imperative that your financial and estate plan takes into consideration the risks that you, your family and your business cannot afford to take.

In a portfolio, you diversify risk, but when it comes to protecting your ability to think, earn money, plan and create, how do you react? To protect your family, business and assets, the risk to your abilities also must be diversified. The least expensive and most intelligent method is through Insurance. We at are experts in helping those we serve, protect what they care about: Life Insurance, Disability Insurance Long, and Term Care Insurance.

Without the proper amount of coverage, a financial or estate plan may fail, leaving you and your family with many unmet dreams and goals. Potentially causing financial devastation!

## Life Insurance

Life insurance is a unique property. It can create an estate with low premiums in comparison to the total death benefit. It also enjoys many tax advantages, and may be an ideal product for your financial plan. Uses include:

- Providing liquidity to pay death taxes and estate costs, thus avoiding the necessity of liquidating valuable assets to pay these expenses. Note that Federal Estate Taxes are due only 9 months after death.
- Providing funds to pay off a mortgage at death.
- Providing spouse insurance. In making an insurance need analysis, we often forget or underestimate the dollar value of work done in the home by both husband and wife.
- Provide funds for college education. Either at death, or, during life, policy cash values can help pay college costs. [*Life insurance policy cash values are accessed through withdrawals and/or policy loans. Loans are generally not taxable. Withdrawals may be taxable under some circumstances. Unpaid loans and/or withdrawals will cause a reduction in the policy cash values and death benefits. Please consult with your tax advisor for advice regarding your particular situation.*]
- Guaranteeing funds to repay loans or other debts owed by the decedent. Life insurance proceeds provide cash to pay estate obligations and help provide the survivors with a debt free start.
- Supplementing retirement income needs. The policy cash values can be used to supplement pensions, Social Security and other retirement income.
- Providing funds for an orderly transfer of a business interest at death. Business owners may have an agreement to buy the interest owned by a decedent, but lack the cash to pay for the decedent's share of the business.
- Providing funds for a business at the death of a key employee. Insurance proceeds can be used to recruit, hire and train a replacement. The proceeds can also provide working capital to help offset financial losses due to the loss of the key person's services.
- Providing funds for Charitable Giving. Life insurance death benefits payable to an organized charity can help provide funds for the charity's work, and may provide tax benefits as well.
- Helping equalize inheritances. For example, a decedent could leave a business interest to the children who are active in the business, and provide benefits of equal value to other children through insurance proceeds.

*Note: Life insurance policies and contracts contain exclusions, limitations, reductions of benefits and terms for keeping them enforce. Your licensed financial professional can provide you with the cost and complete details. Availability varies by insurance carrier and by state.*

## **Disability Insurance**

If you were to become disabled, your possible sources of income might include one or more of the following:

- Savings - If you save 10% annually, one year of disability may wipe out 10 years of savings.
- Social Security- Almost 70% of applicants are rejected. [Source: Social Security Administration]
- Sell investments - Will you get the true value?
- Loan - Without an income, who will lend you money?
- Family, friends and charity - Do you want to depend on them?

When disability occurs, most other options, except insured income replacement, may be unsatisfactory or quickly exhausted. Disability is bad enough - disability without income is even worse. Disability income replacement insurance is a long-term solution to a long-term disability.

## **Long Term Care Insurance**

**What does it cover?** Long-term care to the medical and/or personal care services required by a person with a chronic disability or illness. The Health Insurance Association of America estimated in 1998 that at least 40% of the population over age 65 would enter a nursing home before they die. Half of those requiring care are released within six months. Of those remaining, the average stay is 2 ½ years. The average cost is about \$41,000 a year. By the year 2030, the average annual cost of a nursing home stay is expected to increase care due to accidents, cancer, strokes, etc. Approximately 7 million men and women were living in nursing homes in 1997, and some stays have exceeded 20 years.

**Who pays the cost of Long-Term Care?** The patient or family pays for nursing home care costs not paid by Medical or Medicaid. Only about 8% of nursing home costs are paid by Medicare, which offers limited coverage for the first 100 days in a skilled care facility, and no coverage for the intermediate or custodial care that the vast majority of nursing home residents require. In 1997, Medicaid paid more than 50% of the total nursing home bills. To qualify for Medicaid the patient must be impoverished under the state's definition. In most states the patient must not have income greater than the cost of the nursing home facility. Other states have "income caps" to limit eligibility for Medicaid, for example, "income cannot exceed 3 times the Federal Social Security Income benefit level for that year." For the most part, the people who need the care, or their families, pay the bill. The most intelligent method to cover Long Term Care is Insurance. This may protect assets from confiscation by the State pay for care.

**The Need.** Some people may require daily medical attention while others may simply need help with the basic activities of daily living (ADL) such as bathing, dressing, taking medication, eating, using the toilet, getting in or out of bed, or walking. A typical nursing home stay commonly falls into 2 categories: short term stays (1-3 months), which involve skilled nursing care, and typically follow a hospital confinement; and lengthy stays that comprise mostly maintenance and custodial care and that average 2.5 years.

## **Levels of Care**

**Skilled care.** Refers to a patient who needs daily nursing care, physical therapy, etc., provided or supervised by professional nurses and/or therapist under physician's orders. Intermediate care. Patient requires only intermittent or occasional rehabilitative care or nursing.

**Custodial care.** Patient needs help with activities of daily living (ADL). Does not require a registered nurse or a therapist, but need for such care is based on physician's orders.

**Long-Term Care Insurance.** Policy may be issued on an individual or a group basis. The Health Insurance Association of America has prepared a list of "typical coverage" offered by leading sellers of Long-Term Care insurance. \*

Long Term Care insurance may provide for:

- Services covered. Skilled, intermediate and custodial care, home health care, adult day care (often covered in the policy)
- Daily benefit: \$40-300/day nursing home. \$40-300/day home health care
- Benefit eligibility: Physician certifies that benefit is medically necessary
- Benefit period: 2 years, 3 years, 5 years or life
- Alzheimer coverage: Yes (If not preexisting condition)
- Deductible periods: 0-180
- Renewability: Guaranteed
- Pre-existing condition: 6 months
- Inflation consideration: Yes (often 5% annual increase in daily benefit amount)
- Age limits for issuance : 50-84
- Waiver of premium: Yes
- Free look: 30 days

Of course, the more benefits included in the policy, the larger the premium. Since every policy may be different, the terms, conditions and limitations of the policy must be carefully reviewed before making a purchase.

*Note: Long-term care insurance coverage contains benefits, exclusions, limitations, eligibility requirements and specific terms and provisions under which the coverage may be continued in force or discontinued. Policies MAY NOT BE AVAILABLE IN YOUR STATE or variations may not apply. This information provides only a brief explanation of coverage. It is not a contract. Modifications of types of coverage may be applicable in some states. Coverage may not be available in all states. Exclusions and limitations may apply. A complete statement of any coverage, applicable terms will only be found in the statement of coverage found in an individual policy. Renewal premiums may increase periodically depending on your location. Policies may or may not be renewable. Details on available coverage and cost may be obtained from your licensed insurance agent. Combinations of coverage may be subject to underwriting guidelines, benefit periods chosen and occupational classes.*