

THE COST OF WAITING

Often we hear clients make the following comment: "I am healthy, I am relatively young and I know that eventually I will purchase a long term care insurance policy. However, I would much prefer to wait to purchase the policy in several years, perhaps when I am 55 or 60."

So . . . when is the right time to buy? Experts advise the time to buy is when you are **healthy** - why take on the insurability risk and find out later that a health problem or event has taken you from a preferred to a standard rating or even worse - **uninsurable**. An increase in insurability risk can take a preferred rating to a standard rating and increase the premium by \$400 a year! And, not for the next year only, but for many, many years to come.

This is one of the reasons more and more people are adding long-term care insurance to their financial protection portfolios in their 40's and some even earlier!

There are other *Costs of Waiting*. Please consider the following:

- A disability or change in health status during the five-ten years of waiting (procrastination) might prevent an individual from qualifying for the Long-Term Care Insurance. More importantly, if they were seriously disabled or chronically ill, they would desperately want to receive benefits from the policy they had never purchased.
- The most recent *Social Security Administration statistics report Workers accounted for the largest share of disabled beneficiaries (87 percent). The average age was slightly over 52 and men represented about 53 percent. Also, as of December 2007, over 10.6 million people aged 18-64 received benefits on the basis of disability. Also, ****40% of people needing long-term care are from 18-64 years of age!**
- By waiting, we are exposing ourselves to **three** concurrent forms of inflation:
 1. Cost of care has historically averaged 5% annual increases. Long-term care costs have typically outpaced inflation.
 2. Since one's age is going up each year, the insurance actuaries have determined we must pay higher premiums each year we wait to insure, since we are one year closer to needing the benefits.
 3. During the years we are without a policy, the insurance companies will most likely increase the premiums on their new insurance products. Insurance companies are either introducing new, higher priced policies periodically or are increasing the pricing on available policies annually. This strategy is designed to maintain a competitive product in term of features and to create additional premium revenue to help offset current and projected claim experience.

AND MOST IMPORTANTLY - If we become uninsurable, we lose out completely!

What does this all mean? *Pay now or pay later.* By delaying the purchase of the LTC insurance contract an individual will be forced to pay much higher annual premiums over many, many years. We are not talking about modest amount of additional cost.

By just waiting **Five** years, new policies will nearly double in cost. This annual increase will be paid each year, over many years.

Many planners, advisors and writers in the Financial Press do not understand or discuss the above concurrent inflationary impact. Sadly, the public is often unaware. Hopefully, you have found this information to be of value as you consider the subject of Long-Term Care planning for your business or family.

In the end, *It's not what we know, but what we do with what we know that counts.*

Please call if you want to personally discuss how the *Cost of Waiting* will impact your financial strategies.

*<http://www.ssa.gov>

**Prudential-Planning Ahead for Your Long-Term Care Needs