

Study Reveals Benefits of Starting Long-Term Care Planning Prior To Retirement

By American Association for Long-Term Care Insurance

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A new study from the American Association for Long-Term Care Insurance, reveals the importance of considering long-term care planning about 10 years prior to retirement.

A study of over 250,000 individuals who purchased long-term care insurance last year reveals the significant benefit of starting the planning process in your 50s, prior to reaching retirement age.

Research conducted by the American Association for Long-Term Care Insurance (AALTCI), the national trade organization, examined most recent sales data from 10 leading insurers to determine the percentage of long-term care insurance applicants who qualified for preferred health discounts as well as the percentage who did not qualify for insurance as a result of an existing health condition.

"Individuals mistakenly think long-term care planning is something that can wait until after retirement, but because of health changes that tend to occur in our 50s and early 60s, the facts shows otherwise," explains Jesse Slome, the Association's executive director. "Between one-fifth (20%) and one-third (33%) of individuals who submitted an application for long-term care insurance between ages 60 and 69 were declined coverage because of an existing health condition according to the biennial study." The industry average for declined applicants between ages 60-to-69 was 22.9 percent. For ages 50-to- 59 it was 13.9 percent.

While insurers can decline individuals who apply for coverage with existing health conditions, most reward those who apply while in relatively good health. "Just over half (51.5%) of individuals who applied and were accepted for coverage last year between ages 50 and 59 qualified for "preferred health" discounts," Slome acknowledges. These discounts can reduce the cost of long-term care insurance by 10 to 20 percent each year. "The savings can amount to hundreds of dollars a year for a couple," Slome notes, "and they won't be taken away in the future should your health change."

Some 8.25 million Americans currently have long-term care insurance protection on an individual basis or through their employer, according to the Association's 2009 Sourcebook data. "Nearly 400,000 people obtained coverage in 2008," Slome states, "and 83 percent of individuals purchased before age 65. But, clearly, many people still wait too long to start the planning process only to discover they can't get coverage no matter how much they are willing to pay."

The number of individual applicants who qualified for good health discounts in rose slightly for most age-bands compared to the Association's 2005 study. "Just over two-thirds (66.8%) of applicants between 40 and 49 qualified for the discount compared to 53.7 percent in 2005.

"Planning for long-term care is similar to retirement planning," Slome explains. "There are significant advantages and reasons to start early. Your health when you apply is probably the most important."

It is important to understand that each insurer establishes it's own criteria for acceptable health conditions. Likewise discounts and insurance rates can vary quite significantly based on your age, your marital status and health. "It pays to speak with a knowledgeable long-term care insurance professional who can offer coverage from more than one insurer," Slome advises. "The difference in cost can be as much as 30 percent or more annually and since it rarely is advantageous to change policies, it pays to get the best coverage for the best price from the onset."

For smokers or those individuals whose health is less than perfect, begin the planning process with a long-term care specialist who understands which specific health conditions various insurers will accept. "They'll want to know what medicines you have been prescribed, even if you don't take them, and any current conditions before recommending you submit an application to a specific insurer," Slome notes. "No one wants to hear they are declined, especially because once you are declined by one insurer, you may find it harder or possibly impossible to get coverage from another."

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The American Association for Long-Term Care Insurance is the national trade organization for long-term care insurance industry. The organization established Long-Term Care Awareness Month (November) recognized by Congressional Resolution.

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