

# Wayne W. Kollas, Inc.

## Newsletter

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### Long-Term Care Insurance, an Important Consideration.....

Look around you – if there are two of you in the room, odds are, one of you will spend time in a nursing home in the future. With costs that can easily average \$4,000 per month, long-term medical care is a serious threat to financial security. Not only can it undermine our attempts to plan for the future, it can also place a tremendous financial and emotional strain on our families. As more of us are entering our golden years, Long-term Care insurance is emerging as an important tool to assure that we can afford the care we need and avoid depleting our estates.

Long-term Care is used to describe a variety of services in the area of health, personal care and social needs of people who are chronically ill. Long-term Care insurance is designed to provide for expenses that can be involved in nursing home and related health care services for the chronically ill or infirm.

Don't be lulled into a sense of security because you have health insurance or medicare. A study on the subject found that Medicare paid less than 2% of Long-term Care costs and private insurance covered even less. While Medicaid covered 42% of the expenses, most people are not eligible for this welfare program until most of their assets are exhausted.

Studies of nursing home admissions indicate that 40% of people over 65 will enter a nursing home in the future. The cost of the average stay currently run in excess of \$150,000. Can you afford not to consider investing in Long-term Care insurance?

There are many features which must be compared, and as you might expect, the more benefits that are included, the higher the premium will be. A professional with expertise in Long-term Care insurance can be very important in selecting the proper policy to meet your needs.



### Don't Wait Until It's Too Late

Policy Age	Annual Premium	Years of Coverage	Investment @ Age 85
50	\$ 600	35	\$ 21,000
60	\$ 1,500	25	\$ 37,500
70	\$ 4,000	15	\$ 60,000
75	\$ 8,000	10	\$ 80,000

Premiums for Long-term Care insurance usually remain level for the duration of the policy. The table to the left provides examples of premiums based on years of coverage. Premiums vary according to the benefit duration and benefit types.

**“ Starting early is better – much better. ”**

# All Would Live Long, but None Would Grow Old

*Courtesy of Everett Thorne RHU, CLU, ChFC,  
President, Mastercare Inc.*

**T**wo hundred and fifty years ago Benjamin Franklin said, “all would live long, but none would grow old.” Living long sounds appealing, doesn't it? Just think, if you live long enough you can finally get it all together. You can read the books you've missed, travel to far off places with your honey, play unlimited rounds of golf or start a coin collection.

Living long gets you beyond the anxious fray and into the quiet assurance of maturity. Well read and wise, you will be sought out for your sage advice as you settle into the golden years. Ah yes, living long is reaping the diligence of youth – living off what you have stored up.

On the other hand, growing old is the pits. Things stop working. You can joke about wrinkles and get teased about gray and balding hair and you can shrug knowingly when thicker glasses and a hearing aid become part of your anatomy, but what about when you need help getting around? This is no laughing matter. Basic independence requires the ability to perform at least six activities of daily living. These are activities most of us take for granted, such as getting out of bed, bathing, dressing, and feeding. However, after a stroke, an injury, crippling arthritis or, God forbid, advancing Alzheimer's, Parkinson's or just plain old age, you may need lots of care and feeding – but from whom?

In the early 1900's extended families reached out to nurture the infirm within their midst. Back then, as many as three or four generations could live in one house. With today's scattered families it could take long arms indeed to stretch across a couple of states to make a caring connection. Even if kids lived on the same block, chances are there would be no one at home during the day to assist an ailing parent. With dual income households, it is unlikely that a son or daughter could afford to quit a job to take care of mom. Would mom want that anyway?

USA Today conducted a survey some years ago in which they asked 6,000 people over the age of 65 to list their fears of growing old. Ranking number one among these concerns was the fear of becoming a burden to others. This is not a big endorsement for family administered care. Clearly, most people would be more at ease paying a home health care agency to give them a bath than asking a son to do it. The drawback is that paying for this kind of support at \$20 per hour with a minimum house call of three hours can become expensive.



Medicare only pays for skilled rehabilitative treatment and Medicaid waits until you spend most of your own money first. Fortunately, not all people will need this type of care. According to a study published in the New England Journal of Medicine in 1992, one in five people will spend about two and a half years in a nursing home. More recent studies have shown that this time frame has grown to three years. At current rates for private care of \$142 per day, an average stay would cost \$155,490. At five percent inflation, the total tab will be over \$412,000 in 20 years. Sounds like a job for insurance.

Long-term Care insurance poses a solution to this dilemma. However, most people wait too long to consider it. The delay can be expensive. The same policy that would cost a 50-year-old \$600 per year could run about \$8,000 annually if purchased at age 75. Since premiums are intended to stay level, this means the 75-year-old would pay more in two years than a 50-year-old would pay over 25 years of protection. By age 85, the 50-year-old would have paid a cumulative of \$21,000, while the 75-year-old would have paid \$80,000. What's worse is that the former would have been insured for 35 years, while the latter would have been insured for only ten years. Starting early is better – much better.

We can all fantasize about living long and spending carefree hours living life on our own terms. However, growing old can sabotage these plans and create complications that can make life more of an ordeal than an adventure.

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