



SANTA BARBARA ESTATE PLANNING COUNCIL



LONG-TERM CARE (LTC): **The Missing Piece of Retirement Planning**

Steve Cain, CLTC®, Director

LTCI PARTNERS

Mobile: (818) 645-9894

Email: steve.cain@ltcipartners.com

Twitter: @SteveCainLTC

Santa Barbara Estate Planning Council

Continuing Education Session

The University Club

Santa Barbara, CA

October 22, 2019



SANTA BARBARA ESTATE PLANNING COUNCIL

Today's Objective & Discussion Overview

Most estate planning professionals have seen the recent studies or read the reports. We know that clients' greatest retirement concern today is HEALTHCARE. And Long-Term Care (LTC) can be the most challenging and expensive piece of healthcare during someone's retirement years. Join our meeting to learn more about LTC planning strategies – in just 45 minutes or so, you'll walk away with a better understanding of the risk, candidates for these conversations, insurance solutions, and best practices for improving client outcomes.

Discussion Overview:

- Retirement planning & healthcare (“the why”)
- Marketplace update
- An overview of Insurance planning solutions (Traditional, Hybrid Life+LTC, Life Insurance with riders, etc.)
- Overcoming client objections
- Applying behavioral finance lessons to client conversations
- Case studies (Individual & Corporate)
- Q&A



SANTA BARBARA ESTATE PLANNING COUNCIL

UCSB Baseball (1993-1996)

Pitching Statistics

[Top](#)[Stats Glossary](#)[Remove Filters](#)






Year	Team	League	Lvl	Org	Unif	Pos	Age	W	L	ERA	G	GS	GR	CG	SH	GF	SV	IP	H	R	ER	HR	BB	SO	WP	BK	HB	WHIP	H9	HR9	BB9	SO9	K-BB	Wpct
1994	UC Santa Barbara	College	NCAA	Fr	Rel	20	3	4	4.73	25	4	21	1	1	0	1		70.0	82	47	37	0	39	40	0	0	0	1.72	10.49	--	4.99	5.12	1.03	.429
1995	UC Santa Barbara	College	NCAA	So	Rel	21	0	1	4.98	15	1	14	0	0	0	1		21.2	25	18	12	0	10	15	0	0	0	1.62	10.38	--	4.15	6.23	1.50	.000
1996	UC Santa Barbara	College	NCAA	Jr	S/R	22	1	3	5.59	19	4	15	0	0	0	1		46.2	60	40	29	0	26	34	0	0	0	1.84	11.57	--	5.01	6.56	1.31	.250





SANTA BARBARA ESTATE PLANNING COUNCIL

Summary of Retirement Risks

Risk category	Issues	Detrimental behaviors	Immediacy	Level of control	Can risk be mitigated?
 Investment risks	<ul style="list-style-type: none">• Market return risks• Interest rate risk• Asset allocation risks• Sequence-of-return risk	<ul style="list-style-type: none">• Investing too conservatively or aggressively• Sub-optimal Social Security claims• Timing the market	High	Moderate	Yes
 Inflation	<ul style="list-style-type: none">• Inflation	<ul style="list-style-type: none">• Assuming too low a rate of inflation in retirement• Fixed income	High	Low	Yes
 Healthcare cost risks	<ul style="list-style-type: none">• Out-of-pocket medical costs• Prescription drug costs• Long-term care costs		High	Moderate	Yes
 Longevity/mortality risks	<ul style="list-style-type: none">• Outliving assets• Death of spouse	<ul style="list-style-type: none">• High withdrawal rates• Non-coverage of spousal benefits	Low	Low	Yes
 Public policy risks	<ul style="list-style-type: none">• Reduction of Social Security benefits• Reduction of Medicare benefits• Tax increases		Moderate	None	No

In addition to the above risks, retirees may be exposed to a host of additional risks: *employment risk* — for those who plan to work during retirement; *business risk* — which could impact retiree benefits such as DB plans and health insurance; *marital status risk* — can impact Social Security and other benefits, and divorce can lead to financial problems for either or both spouses; and *caregiver risk* — for retirees who need to provide financial or other assistance to family members.



**WEALTH+HEALTH
ARE INEXTRICABLY LINKED**





CLIENTS WANT MORE THAN 'A NUMBERS PERSON'



More than 4 in 5 people say it would be very valuable for a financial professional to consider their health when building their financial strategy.

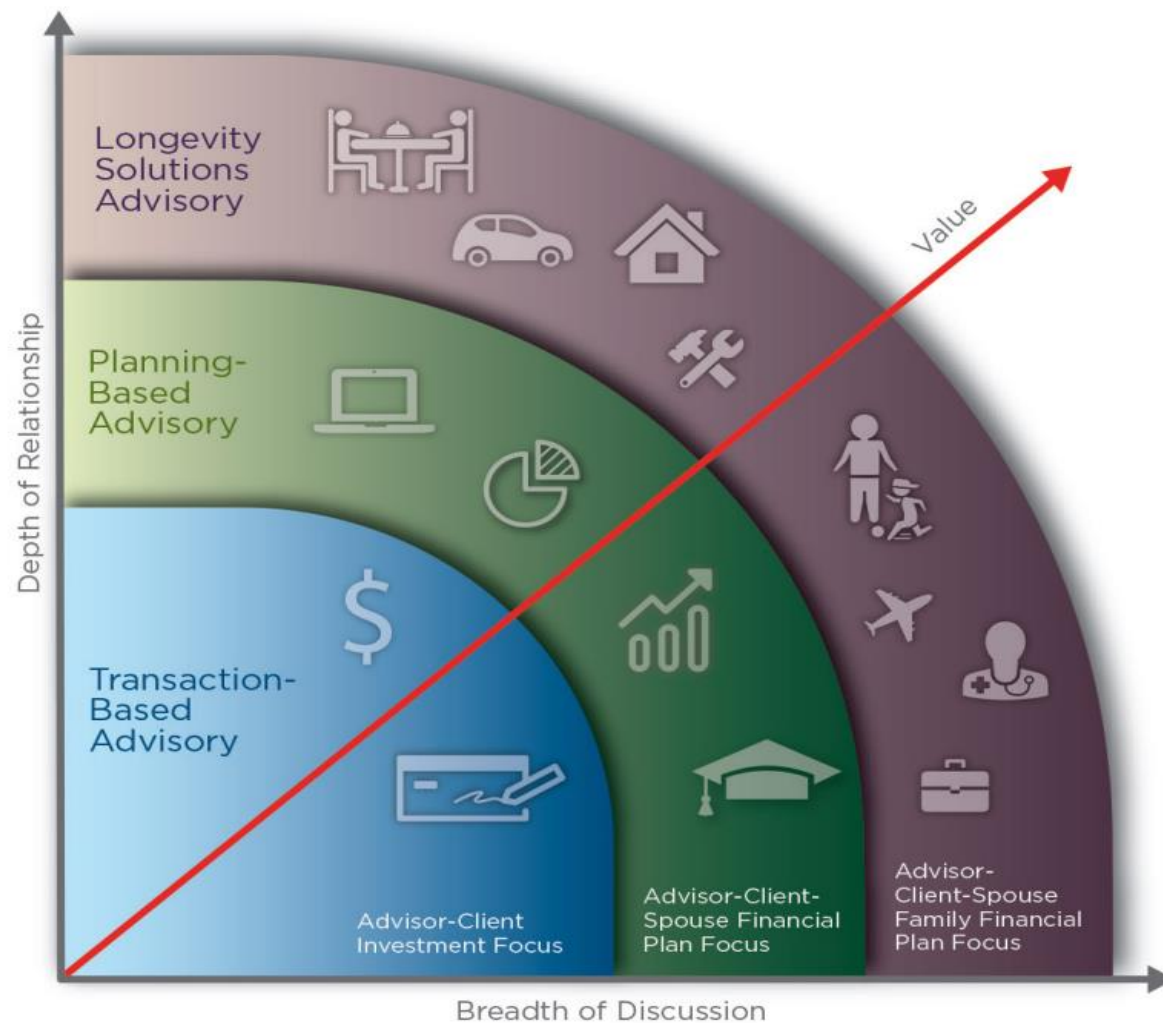
Luntz Global Partners/Transamerica Wealth and Health Survey, 2016

45% of financial advisers surveyed said they don't factor healthcare and medical planning into their clients' overall retirement plans.



SANTA BARBARA ESTATE PLANNING COUNCIL

Why Have “The Talk”?



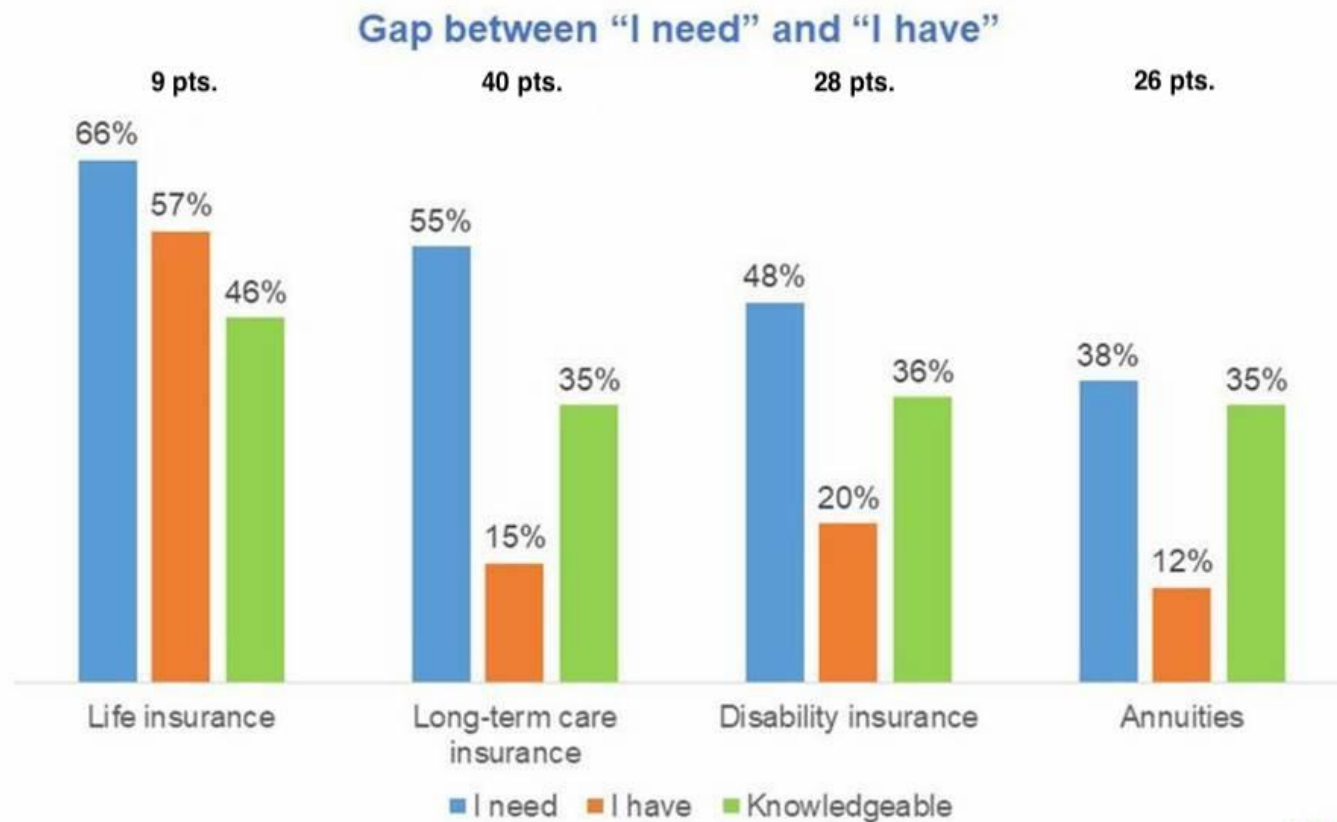


Long-Term Care Services in Santa Barbara

Annual Cost	2019	5-year Annual Growth
Home Health Care		
Homemaker Services	\$62,348	5%
Homemaker Health Aide	\$62,348	5%
Based on 44 hours per week by 52 weeks.		
Adult Day Health Care		
Adult Day Health Care	\$19,760	0%
Based on 5 days per week by 52 weeks.		
Assisted Living Facility		
Private, One Bedroom	\$60,000	3%
Based on 12 months of care, private, one bedroom.		
Nursing Home Care		
Semi-Private Room	\$102,711	4%
Private Room	\$122,257	3%
Based on 365 days of care.		



Consumers' insurance knowledge is related to the gap between perceived need and ownership





Insurance Marketplace Update

- Growing awareness or consciousness
- Sales growth (Individual, Multi-life & Hybrid Life/LTC plans)
- Carrier entries
- Continued in-force premium increases
- Increase in HSA limits
- Proposed changes to Medicare Advantage
- State of WA Long-Term Care program



Marketplace Update

1st Generation LTC Insurance Challenges:

- Mortality
- Morbidity
- Interest Rates
- Lapse Assumptions
- Regulatory Environment
- Adverse Selection

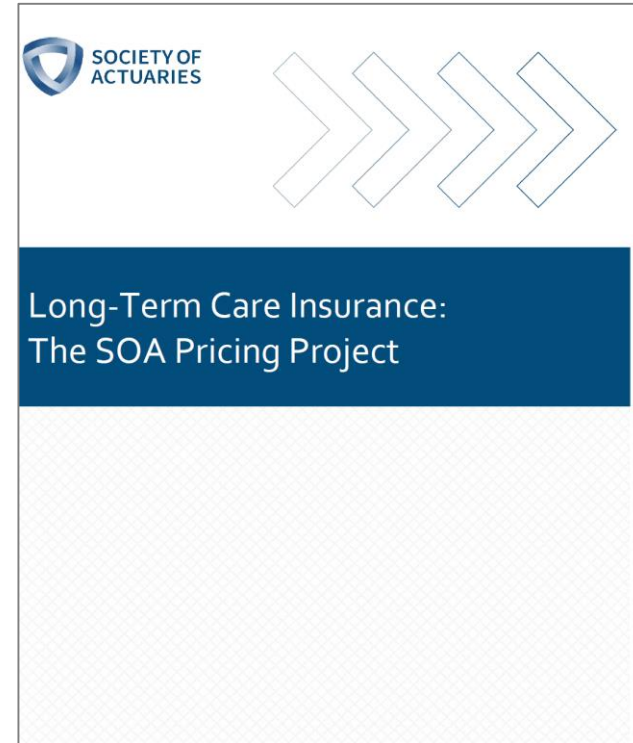
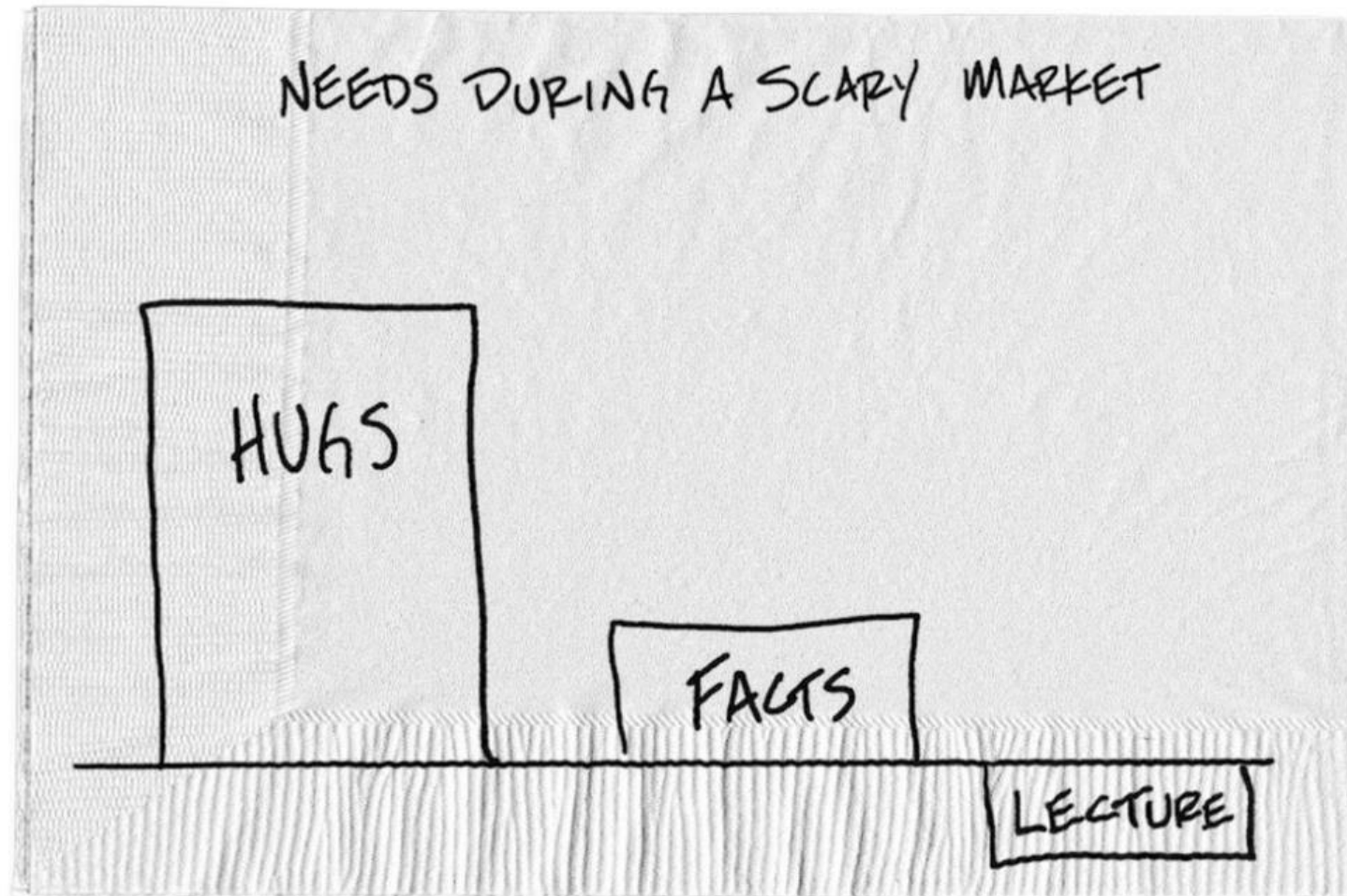


Figure 15: Probabilities and Average Size of Rate Increases, by Year

Pricing Point Year	Probability of a Rate Increase	Average Size of Rate Increase
2000	40%	34%
2007	30%	18%
2014	10%	10%

A Word on LTC Insurance Rate Increases





Long-Term Care Insurance Planning Solutions

- Traditional LTC Insurance
- Linked-Benefits (Combination Life/LTCI plans)
- Life Insurance with CI /ADB / QLTCI riders
- Group Life Insurance with LTC Benefits
- Annuities with LTC Riders
- Immediate-need LTC Annuities
- Short-Term Care





Long-Term Care Insurance Planning Solutions



LONG-TERM CARE INSURANCE

Protect your assets from an extended health care event

PROS:

- Inflation Protection
- Care Coordination "Concierge Healthcare" Benefit
- Maximizes long-term care insurance leverage while minimizing premium commitment.
- Tax Deductible for business owners
- HSAs

CONS:

- Premiums not Guaranteed
- "Use it or lose it" premium (no chase value or return of premium)



ASSET BASED HYBRID

Protect your assets and retirement savings from an extended health care event while retaining maximum flexibility

PROS:

- Standardized benefit trigger
- 1035 exchanges
- Tax Advantages
- Maximizes flexibility and provides a substantial benefit for a long-term care insurance event.
- Flexible payment options
- Return of premium
- Guaranteed premiums
- Life Insurance and LTC Benefits

CONS:

- Opportunity cost (if single premium option is selected)
- Not the same tax advantages for business owners



LIFE INSURANCE

Maximize your death benefit while retaining moderate flexibility

PROS:

- Largest Death Benefits
- Relatively low premium cost for rider
- Better suited to pay for benefits on a monthly basis, if needed.

CONS:

- If LTC is needed, reduction of death benefit
- No return of premium
- Benefit triggers not standardized
- Benefits determined at claim time
- No inflation protection



FIXED OR INDEXED ANNUITIES

Long-term care options late in life with potential health concerns

PROS:

- Limited or no medical underwriting
- 1035 exchange tax advantage could turn tax-deferred growth to tax-free LTC payments

CONS:

- Limited or no inflation protection
- Typically no care coordination
- No tax advantages for business owners



SELF FUNDED

Access to money now

PROS:

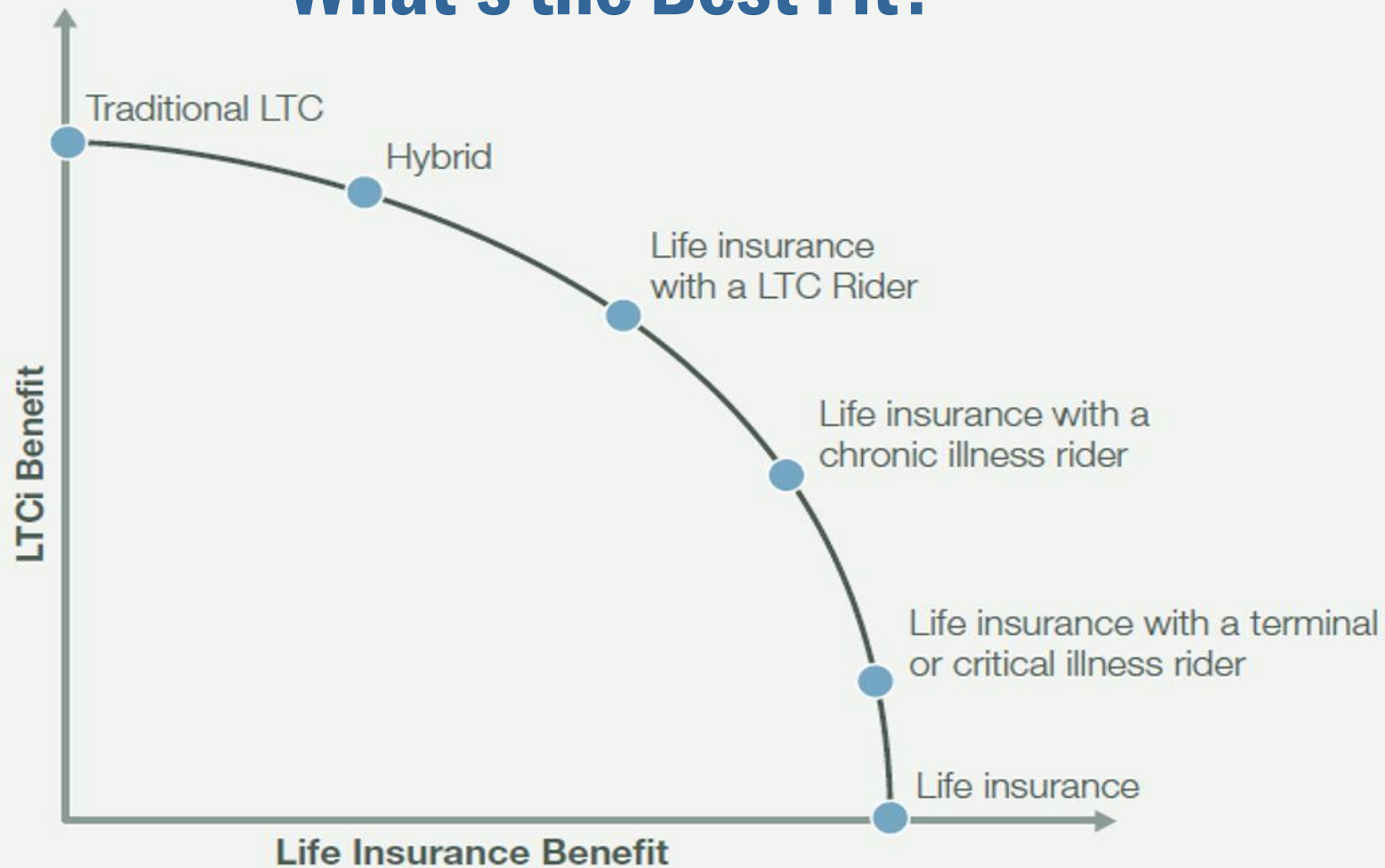
- Zero up-front costs while retaining liquidity

CONS:

- Not a healthcare plan
- No care coordination benefit
- Tax timing consequences
-



What's the Best Fit?





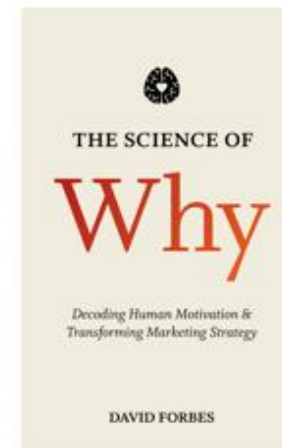
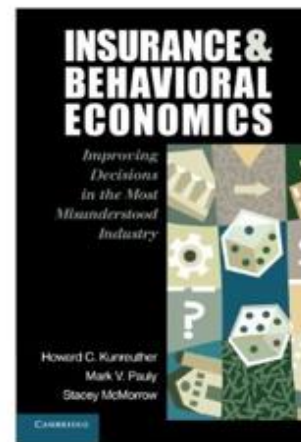
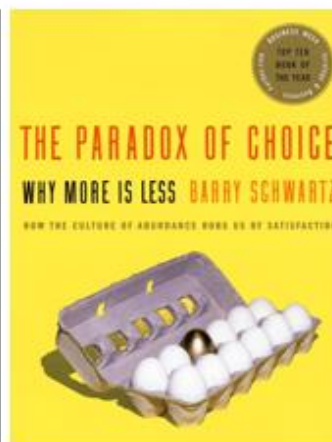
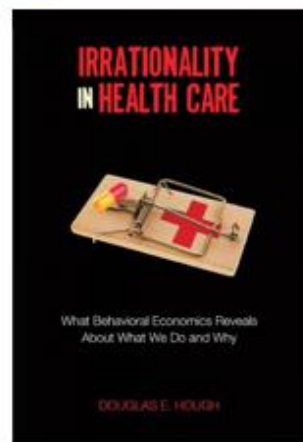
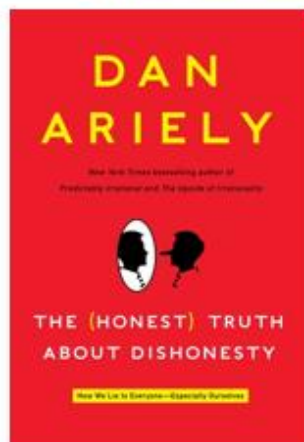
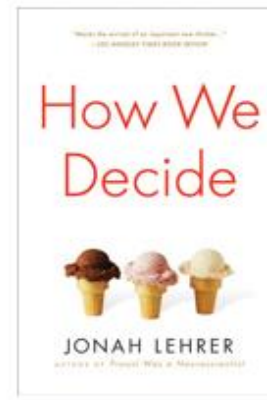
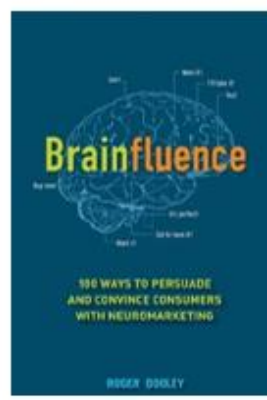
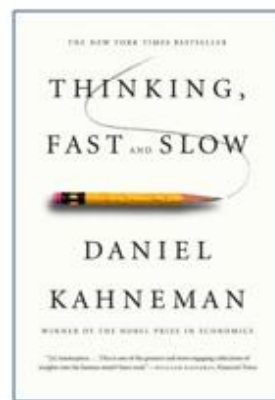
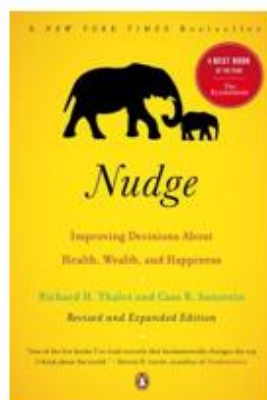
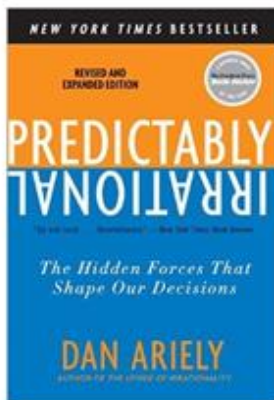
Overcoming Client & Advisor Objections





SANTA BARBARA ESTATE PLANNING COUNCIL

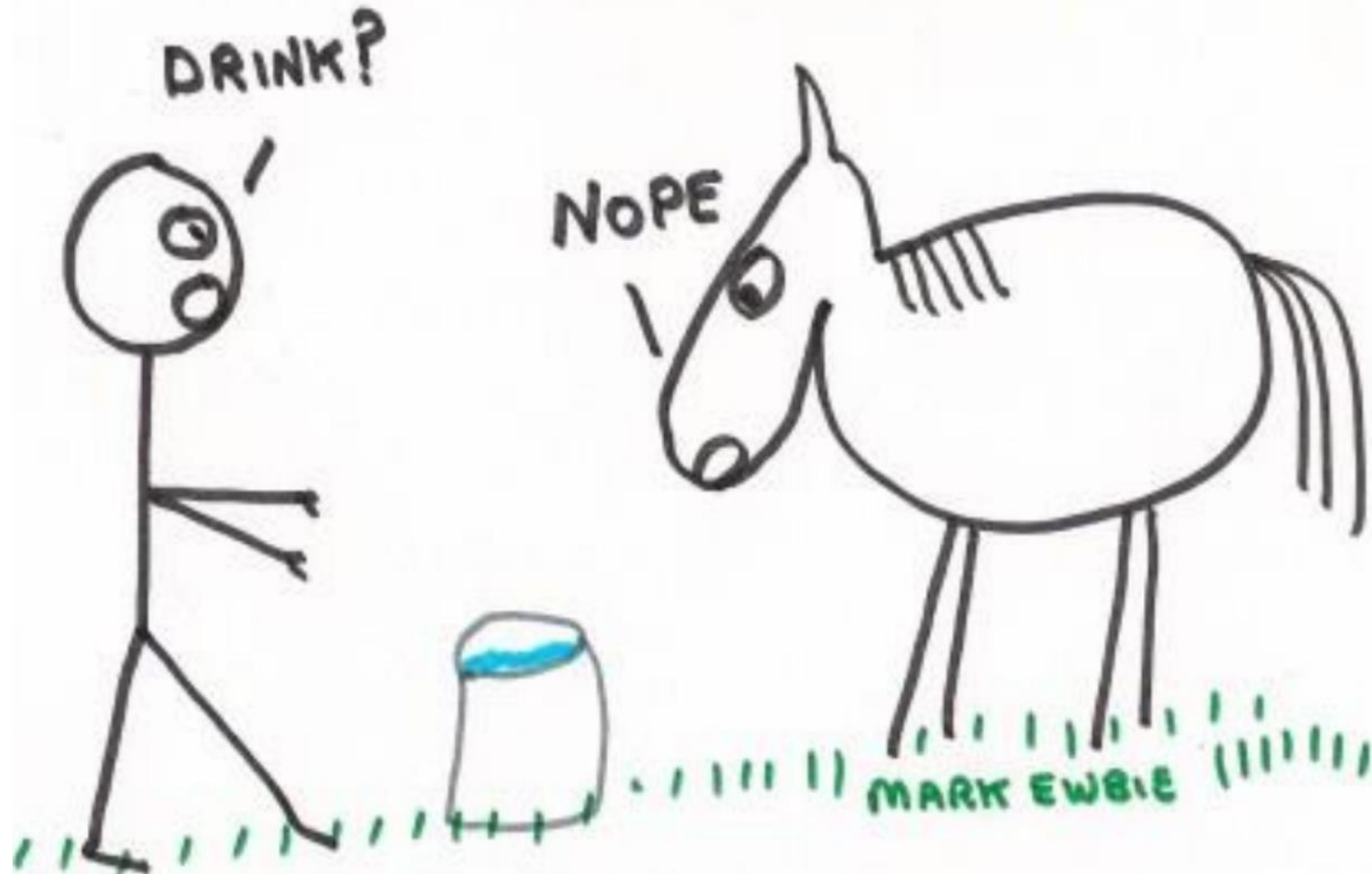
Important Disclaimer (Behavioral Finance)





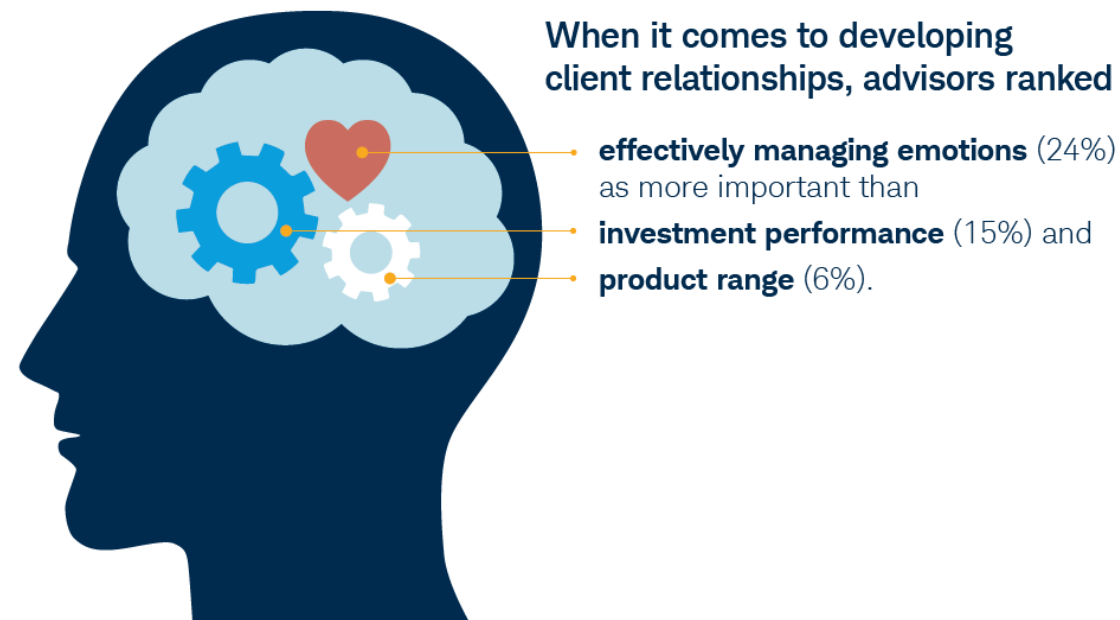
SANTA BARBARA ESTATE PLANNING COUNCIL

REALITY = Behavior Change is Hard



Benefits of Behavioral Finance

Advisors said behavioral finance offers a range of benefits





SANTA BARBARA ESTATE PLANNING COUNCIL

Behavioral Finance & LTC Planning

Advisors said they see several biases significantly affecting clients' decision-making.

Bias	What it is	What to do
Recency (35%)	Belief that recent news and events will continue, which can promote chasing performance and investing in fads	Help clients ignore the noise and keep a long-term view
Loss aversion (26%)	Tendency to prefer avoiding losses over achieving equivalent gains, causing clients to accept less risk than they can tolerate	Proactively position client portfolios against loss to reduce emotional decision-making during volatile markets
Confirmation (25%)	Tendency to consume mainly information that reinforces one's own views, which can camouflage opportunities	Seek out—and tell clients about—multiple viewpoints when evaluating investments and constructing portfolios
Anchoring (24%)	Tendency to focus on a specific reference point, such as a certain index, when making decisions	Use a diversified, risk-adjusted benchmark that fits the client's goals
Familiarity (24%)	Tendency to make decisions based on one's own experience or knowledge, such as preferring domestic equities	Emphasize the benefits of diversification

Advisors also said they noticed differences in the most prevalent biases based on generational group.

Silent Generation (73+)



Baby Boomers (54–72)



Gen X (38–53)



Millennials (<38)





Tips for Productive Long-Term Care Planning Conversations...

1. Keeping choices as simple as possible
2. Focus on the possible gain vs. possible loss
3. Use stories, not statistics!
4. Focus on now benefits, not the future
5. Help guide heuristics (“rules of thumb”)
6. Formalize a strategy (with or without Insurance)



SANTA BARBARA ESTATE PLANNING COUNCIL



Steve Cain, CLTC[®], Director

Sales and Business Development Leader

LTCI PARTNERS

Office: (608) 807-2540

Mobile: (818) 645-9894

Email: steve.cain@ltcipartners.com

Twitter: @SteveCainLTC

LTCI Partners

(877) 949-4582

www.LTCIPartners.com