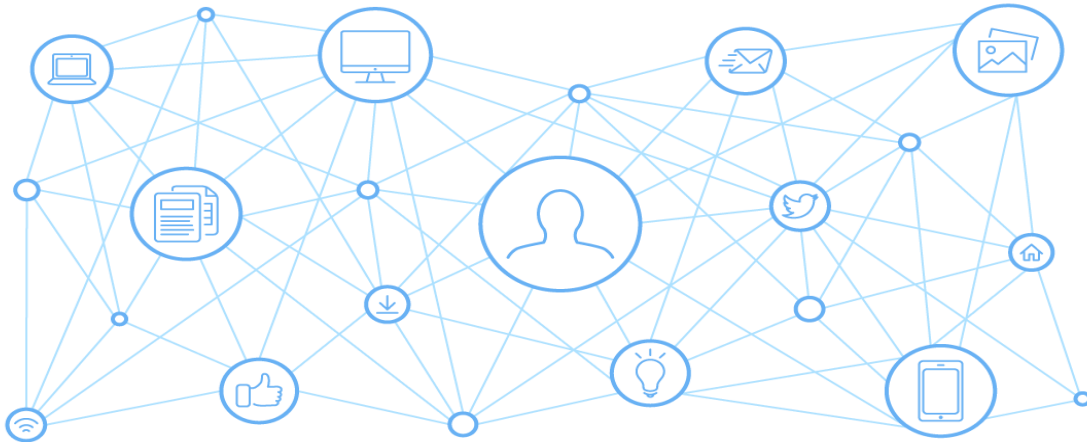


No Such Thing as "Self-Insuring"



The term "self-insuring" is a pet peeve of mine. It is a term that I find particularly annoying every time I hear it. Why? It's a misnomer. And misleading. There is no such thing as self-insuring.

One of the principles of modern insurance is pooling funds from the many to pay for the losses of the few. There is no "self" in insurance. In my view, you want to participate in huge pools of healthy policyholders.

Insurance involves the transfer of risk. It is a way to protect oneself from financial loss. In exchange for a fee, one party agrees to compensate another in the event of a loss.

Without insurance, if one experiences a loss, they will fund the expense incurred. The correct term would be **self-funding**. But we don't hear self-funding used often. Perhaps if it were, consumers might stop to think about what it really means. You have exposed your entire portfolio to pay for your care....you are rolling the dice, it does not happen to you...

What are you planning to self-fund

For many years, the government projections have been that by the time we reach age 65 that 70% of us will experience a long-term care event in our remaining years and require extended care. This extrapolates to a 91% chance one spouse of a couple will need care.

Now consider that only 10% of Americans aged 50 and older have long-term care insurance. Can the 90% afford to self-fund? No. Nada. No way. Not a chance.

So, if care is needed, what are you likely to self-fund? Well, over 70% of care takes place at home. The most recent national average hourly cost for home care is \$33.

Now consider that you need care for four hours a day for four years.

Here's the math:

4 hours X \$33 X 365 days X 4 years = \$192,720. (Today's Dollars) What do you think this going to cost in 20 years, when the current client goes on claim?..

Where I live, the average hourly cost is \$35 per hour. Four years of home care would cost \$204,400.

Why do people need extended custodial care? The main medical conditions that lead to insurance claims are dementia, heart disease, arthritis and neurological conditions. Today, approximately 50% of every claims dollar pays for cognitive impairment.

It's not about how much money you have

It's about how much protection you have leveraged. Industry pundits used to describe long-term care insurance (LTCI) as one of the essential risk management strategies. We wouldn't drive a car without auto insurance or own a home without homeowners insurance. The risk of an accident is too great and the expense too dear.

Today, many describe LTCI simply as an expense transfer strategy. Why? Because claims history puts it in a class of its own. With the exception of life insurance, this insurance claims ratio far exceeds that of auto or homeowners.

Long-term care insurance protects assets and income. Do you know what your liquid assets total? Do you know the income those assets provide? Or how much protection you could leverage? With insurance, you pay pennies for the dollars of protection.

Buying insurance with high inflation and a volatile market may seem counterintuitive. But insurance can provide a certain level of protection independent of market behaviors.

Impact on Family & Legacy

Using assets earmarked for estate equalization, charitable giving, a surviving spouse, or business continuity to pay for care undermines those objectives. LTC expenses can force the sale of legacy real estate

or interrupt succession and philanthropic plans. Insurance creates a dedicated pool of liquidity, preserving your broader plan and protecting promises already made

Without LTCI, who provides care? Family members, in most cases until they are totally spent in terms of their health, depression, retirement funds, jobs, promotions, Social Security benefits and the list goes on.

Medicaid is means-tested. To qualify, an applicant must meet health, financial and general requirements. In fact, the financial resource reduction (spend-down) requirements can end up being a very expensive way to receive government assistance.

This should create urgency for financial advisors and consumers alike. The best counsel we can provide is to design a plan for extended care now. Think through and discuss these three questions:

1. If I needed care, where would I want to receive care?
2. If I needed care, who would I want to provide care?
3. If I needed care, how would I pay for care?

Traditional LTC Insurance is the most cost-effective solution to fund extended care.

In conclusion: Self-funding a long-term care event exposes you to significant financial, emotional, and family risks. LTC insurance offers protection, efficiency, and peace of mind, allowing you to preserve your assets, legacy, and family relationships.

It's not just about asset protection. It is also about protecting your family from having to be **CAREGIVERS!!!**

John Gibbons

LTC Sales Director