A CONVERSATION GUIDE TO

# LONG-TERM CARE

Take the first step to explain how long-term care can be made simple

ASHBROKERAGE.COM

ASH BROKERAGE

Ash Answers.

# LONG-TERM CARE IS COMPLICATED. OFFERING IT DOESN'T NEED TO BE.

Aging and longevity create unique challenges that extend far beyond income and assets. It may be why you're hesitant to discuss long-term care with your clients.

But, living longer has changed financial planning. You've incorporated longer life spans into retirement projections, and insurance companies have product guarantees that extend past age 100, even to 121. Do you think clients will live that long? Probably not. But, if they do, you want them to be prepared.

Long-term care used to be a purchase process. Today it's a knowledge-based process. It's more than a sale. It's a discussion about health, lifestyle, family and how your clients want to spend their final years. It may not be easy. But it's worth it.

There's no clear-cut path through this talk, but this guide makes the first step simple. You'll walk through talking points covering the most client common concerns with multiple options for responses. You'll come out the other side with stronger client relationships, more secure assets and greater confidence in your ability to offer long-term care solutions.

# IN THIS GUIDE

# IT ~~WON'T~~ ***COULD*** HAPPEN TO YOU

**ASK:** Do you feel you are going to live a long life?

Most clients will say yes, and that's where the conversation starts.

There's a common misconception that because people are healthy and active as they age, they won't need long-term care. That's dangerous. Healthy people are likely to live the longest. And the longer you live, the less likely your quality of life will be maintained on your own.

**ASK:** Do you agree that the longer you live, the greater likelihood your health could become compromised and you may need extended care?

None of us think it's going to happen to us. Split a room full of people in half and ask, "Which group is going to need long-term care?" The two sides of the room will likely point to each other. Regardless of who's right, the decision shouldn't be left to chance.

We insure many aspects of our lives against unknown events in the future. You don't buy health insurance because you expect to get cancer. You don't buy car insurance because you plan on having an accident. You don't buy life insurance because you expect to die next week. And you don't buy long-term care insurance because you plan to go to a nursing home.

Instead, we create plans for the "what if" scenarios in life. Living longer – and the risks that come with it – is a big "what if" that too many of us leave to chance. You should buy long-term care insurance *because* you plan on living a long, healthy life.

**ASK:** If you needed care, would that have an impact on those you love?

Whether it's physical, emotional or financial, the impact of a long-term care event will affect your client's loved ones at some point, too. We spend a lot of time talking about the insured, but if you need care, you are going to get it one way or another. Yes, your life is impacted, but not as much as the people who need to take care of you – your children, your spouse.

Focusing on your client's family, rather than their own needs, often makes clients think differently about having long-term care insurance.

# DIFFERENT PEOPLE, DIFFERENT APPROACHES

Together, you've worked with your clients to create a solid retirement plan; now it's time to protect it from one of the biggest threats. You can't discuss estate planning without first protecting the estate. So, you shouldn't discuss retirement without mitigating the risk of long-term care.

But you know your clients best, so the first thing to do is understand what their concerns may be based on.

Are they financially motivated and want to protect their assets? Did they bring it up after watching a family member or friend go through an extended care event? Do they live far away from family and are worried about being alone without a plan?

There are multiple sides of a long-term care event. There's the cost – and it certainly is expensive. But the emotional and logistical sides are often ignored in planning conversations. Get to the heart of the issue: What concerns your client most about a potential long-term care situation?

## EMOTIONAL

Make a personal appeal based on your client's experiences. While providing care or making tough decisions for loved ones is an act of compassion, placing this emotional burden on spouses, children and other family members can create significant tension. A family's life is placed on hold during care. That's why having a plan is as much about the family as the individual.

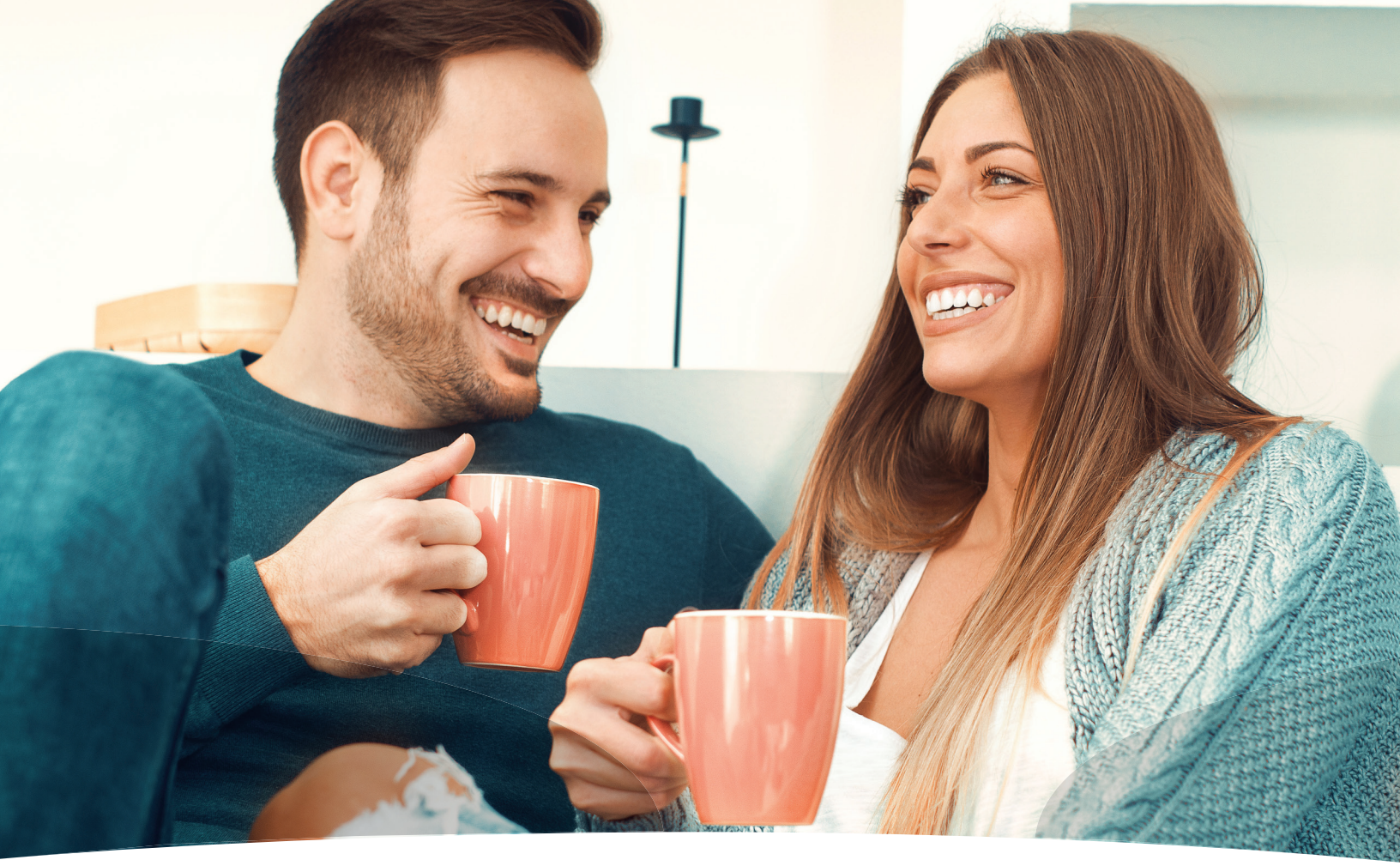
## LOGISTICAL

Even if funding and family dynamics are accounted for, there can be a lot of details to coordinate. Your client may assume they can figure it out as things unfold, but that can add a large amount of undue stress and complication. Logistically, it makes more sense to take care of things now, so your client's wishes can be properly considered when the need arises.

The following pages will walk you through six common concerns. After each, you'll see financial, emotional and logistical responses. The first step is to bring up the topic, then pivot based on how your client reacts. Your approach may be a combination of responses, or it may completely shift mid-way through the conversation. The important thing is to see the discussion from your client's vantage point and respond with the answers – and sometimes hard truths – they need to hear.

## FINANCIAL

It's never real until it's about the numbers. Remind your clients you want to help them manage ALL the financial risks impacting retirement. A lifetime of savings – assets that took decades to accumulate – can be gone after a few years of paying for long-term care services out of pocket. With inflation, a five-year care event 30 years from now could seriously jeopardize any legacy planning you might have in place.



## THE CONVERSATION IS OVERWHELMING. I'D RATHER NOT TALK ABOUT IT.

There's nothing like a critical change in health to catapult an entire family into complex and costly considerations. But by then, it's too late to create a plan. So how do you bring up long-term care now, without overwhelming your clients?

Because it's overwhelming, that's exactly why you need to create a plan. Talk about your accountability to have the conversation. Difficult topics are exactly why your clients chose to work with you. Retirement planning or wealth transfer conversations may have been overwhelming at first – longevity planning is no different. The important thing is to start somewhere. It may seem uncomfortable at first, but take it one step at a time.

**ASK:** Who do you know that has needed long-term care?

**ASK:** What impact did it have on the family?

**ASK:** Who makes decisions on your behalf - and how will they know what to do?

**ASK:** If care is needed, where would you prefer to receive care?

## EMOTIONAL

There's no way around the emotional experience of seeing a loved one deteriorate. But, having a proper plan in place will help reduce mental strain at a time when stress levels are high. As an advisor, your job is to help preserve the dynamic of a family if your clients become sick. To make sure holidays are still celebrations. To avoid finger pointing and make hard decisions easier.

Today, families are often spread across the country and aren't always on the same page when an event happens. The family members living closest tend to provide most of the care. While those living farthest away tend to have the strongest opinions about what should be done. Wouldn't it be better for your family to be the ones managing your care according to your pre-determined wishes, rather than providing care or making difficult decisions?

## LOGISTICAL

Without a plan, a long-term care event can leave families scrambling. There are hundreds of decisions to make, starting with choosing where to receive care and the level of care needed. Asking questions that get clients to think about the logistics may help them realize the importance of creating a plan.

For those who think their family will care for them, there are logistical concerns, such as:

- Are family members able to take time off work to provide the daily support you need?
- Would the caregiver be able to physically lift you to assist you with daily activities?

Knowing the possible arrangements ahead of time puts clients in control, avoiding the stress of having to make sudden, life-changing decisions.

## FINANCIAL

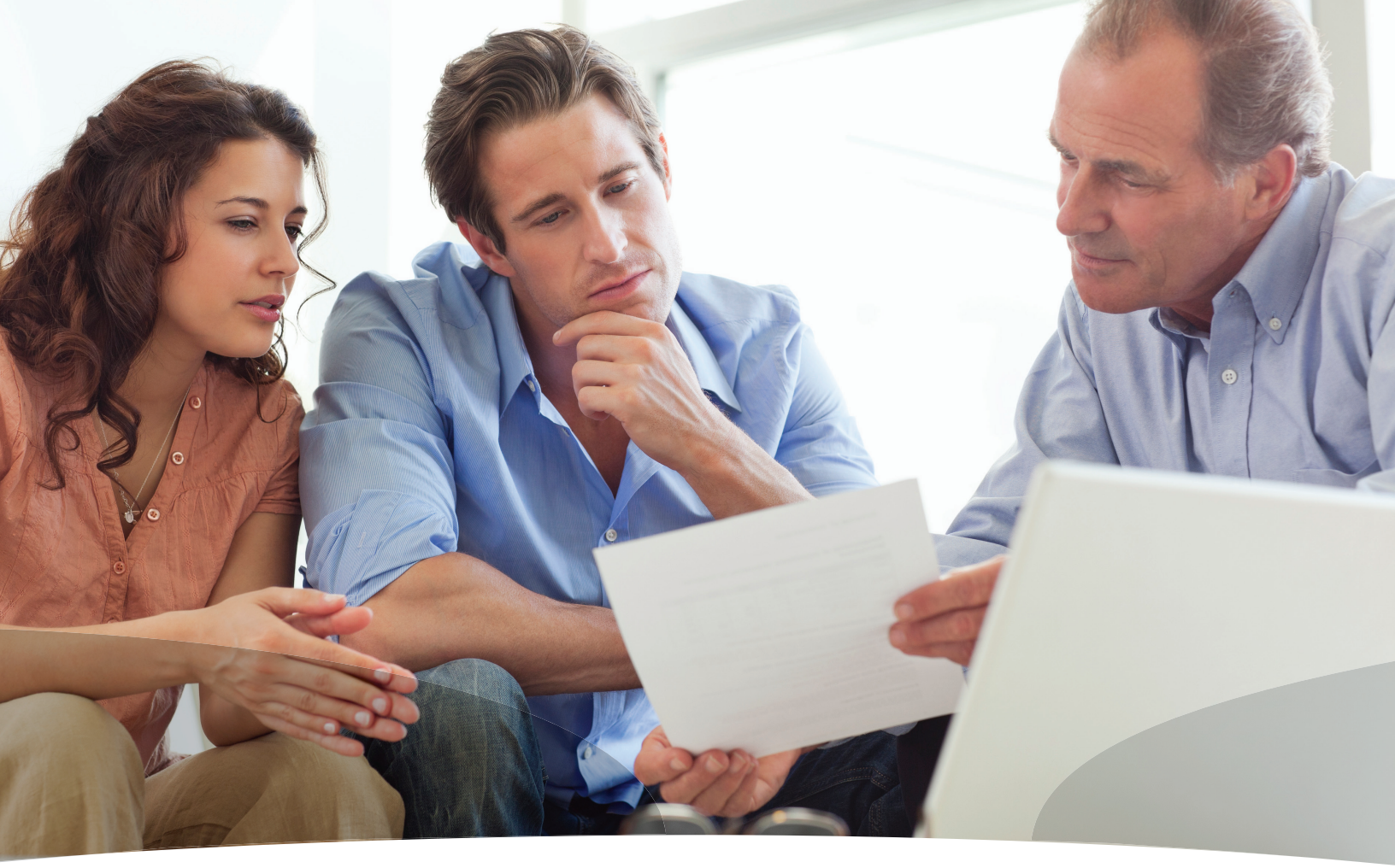
The value of taking the financial burden of long-term care off the table can't be quantified. While cost of care statics may be overwhelming, don't make it any more complicated than it needs to be. It's about creating a pool of money that fits within your clients' retirement income and assets. It's about avoiding potentially devastating, if not irreversible, financial consequences on your client's portfolio. Remember, this isn't about scare tactics – it's reality. It's about planning. It's what you're best at. And it starts with some questions:

- If you were to need extended care, which assets would you liquidate first?
- Where in your portfolio would you like to earmark the dollars to cover an extended care event?

These straightforward questions can open the door to a larger conversation about the amount of funding needed, the potential of using an insurance-based solution and more.



*Remember, this isn't about scare tactics – it's reality. It's about planning. It's what you're best at.*



## THE COVERAGE WON'T PAY WHEN I NEED IT.

With any client concerns, it's important to flip the negative into a positive. Clients may have seen news articles highlighting the rising cost of care or insurance companies exiting the long-term care industry. Or they may have heard stories of individuals whose rates have increased dramatically. In these situations, a properly structured policy, with today's guarantees, can ensure coverage will last and work as planned.

**ASK:** What have you seen about long-term care in the news?

**ASK:** Which concerns you more: coverage running out or the insurance company not paying?

**ASK:** Do you know someone whose coverage ran out?

## EMOTIONAL

Inflation is predictable. The bigger unknown – and therefore the biggest risk – is the length of time you may need care services. It's impossible to predict whether you'll only need a few months of care, or years of care with a debilitating disease such as dementia or Alzheimer's. You may have heard stories of people who outlived their coverage, and you're afraid of that happening to you.

You can't dispute that there has been prior disruption in the long-term care insurance market. However, there are now many new solutions and the market is stabilizing. A properly structured policy with guarantees can protect against future rate increases, allow for extended benefits or even provide lifetime coverage options.

## LOGISTICAL

There are different ways to structure a policy. Some insurance companies will reimburse individuals' costs up to the daily or monthly benefit amount. This can help keep the policy cost down, but requires submitting actual covered expenses.

If your client is worried about carriers not paying their bills, an indemnity plan will automatically pay the maximum daily benefit amount, every day, as long as at least one covered service was incurred that day. It can be a good way to give clients confidence and flexibility for future unknown care, since any additional dollars paid out each day could take care of non-covered care costs.

There are also cash policies that do not need to be directly tied to a care expense – so they can cover care from family or friends, or offset other needs such as lost income. However, these policies are the most expensive.

## FINANCIAL

Since the cost of care is always rising, what seems like a reasonable amount of coverage today may not be sufficient for future care needs. To address this, insurance companies offer multiple options for increasing benefits to keep up with inflation. It's one of the most important parts of a long-term care policy.

Most insurance policies offer riders that calculate either simple or compound inflation on benefits. Either way, you can ensure the coverage grows with time.

*Since the cost of care is always rising, what seems like a reasonable amount of coverage today may not be sufficient for future care needs.*

## THE GOVERNMENT WILL HELP PAY FOR IT.

Consumers will often bring up the M-words: Medicare and Medicaid. But, they usually know little about these government programs, and how they could impact their retirement savings.

Most individuals who need ongoing care require assistance with day-to-day living, not skilled medical attention. Medicare only covers skilled care after hospitalization, which would not help in those circumstances. It's designed to pay for severe, short-term illness only.

Medicaid is essentially a welfare system – and it feels like it. If your client's plan for long-term care is to spend their entire life savings, only to end up on welfare, then why plan for retirement at all?

**ASK:** Do you expect the government to pay for you for an extended period?

**ASK:** Do you understand the limitations of different government programs?

**ASK:** Is having control over your care options important to you?

**ASK:** Do you want to have assets left?

## EMOTIONAL

With government programs, clients are likely to end up in a nursing home. With Medicare, you must be admitted to the hospital for three days, then go directly from the hospital to a nursing home and be deemed rehabilitative. This process can put strain on your family and spouse. There are very few options that you have control over.

With Medicaid, the program will begin to pay for care once the out-of-pocket threshold is reached, but again, with very limited options. Facilities may only accept a limited number of Medicaid patients (or none at all). Additionally, preference is often given to people who can self-pay. We've heard repeated stories of clients calling dozens of facilities, only to be placed on a waiting list longer than their life expectancy. With Medicaid, there could simply be no room at the inn. And it's only going to get worse. Struggling to find a room, which you may have to share with another patient, in a facility that you may not care for, adds additional stress to an already emotional time.

## LOGISTICAL

Your client is making a dangerous assumption: They will qualify for government assistance. Yes, the government has programs to help an aging population. But you need to qualify and each comes with strings attached.

You are not likely to have a perfect storm of events where Medicare will kick in. Your need for long-term care may not start with a hospital visit. Or it does, but you're only admitted for a day. Or maybe, you get discharged from the hospital, but go home instead of going directly to a nursing home. If any part of the process does not follow the Medicare guidelines, you may not qualify. It's a paperwork trail you should try to avoid.

The government does provide a financial safety net through Medicaid. Unfortunately, you may not like your options. To qualify for benefits, you will be required to spend down your assets, agree to income limits and wait while the state decides the type and place of your care. Wouldn't you rather be in control of the decisions about your care?

- If it's needed, where you would most prefer to receive care?
- Who makes decisions on your behalf – and how will they know what actions to take?

For those who think their family will care for them:

- Are family members able to take time off work to provide the daily support you need?
- Would the caregiver be able to physically lift you to assist you with daily activities?

Knowing the possible arrangements ahead of time puts clients in control, avoiding the stress of having to make critical, life-changing decisions suddenly.

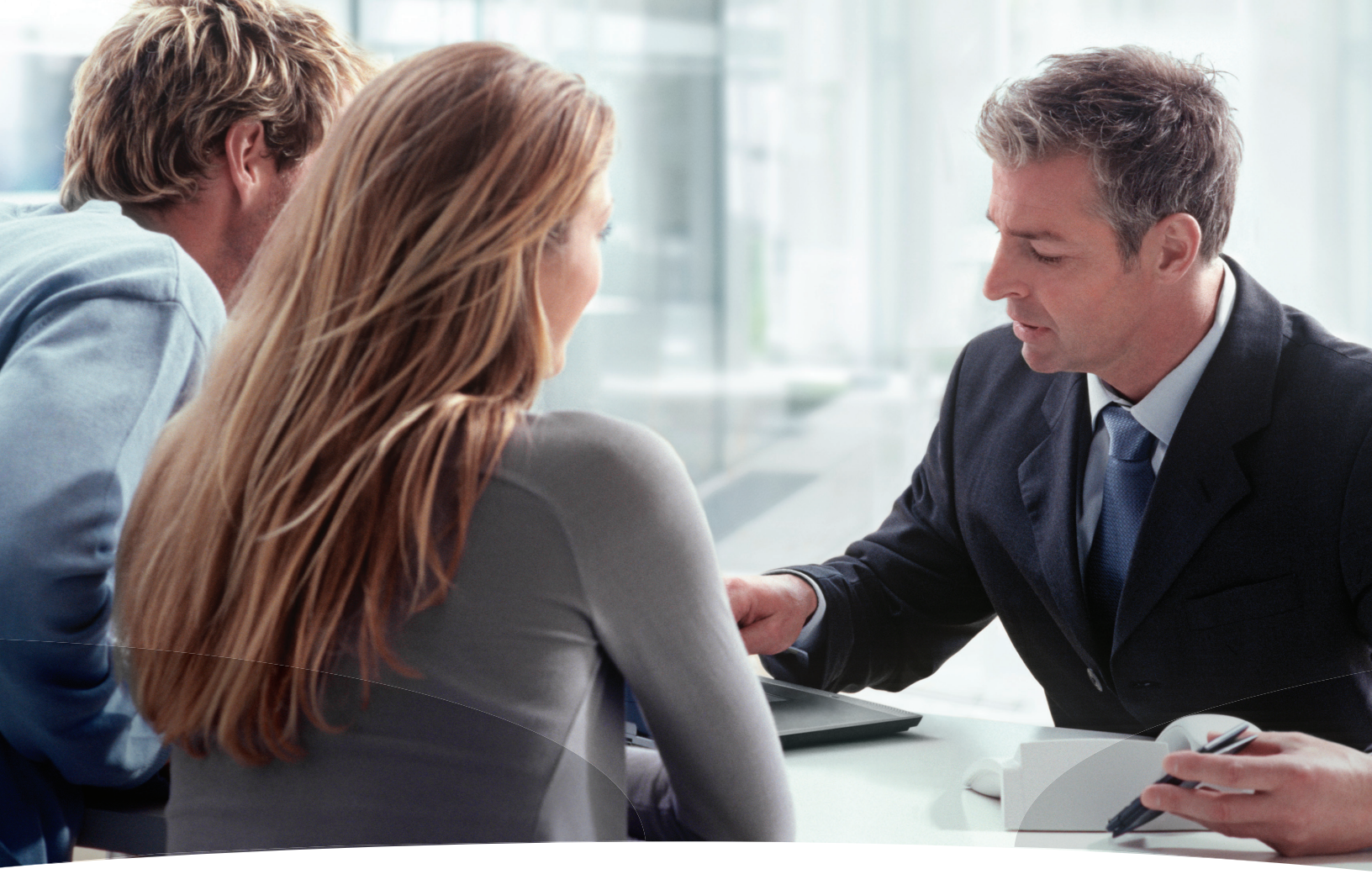
## FINANCIAL

Medicare only covers a small number of all skilled nursing care expenses in the United States today. It doesn't cover non-skilled care – like assistance from a home health aide for non-medical, day-to-day needs. It will also only pay in full for 20 days, after which you will have a copay for up to 100 days.[1] For most people, this government program will not help address their longevity needs.

While each state has different requirements, Medicaid generally requires paying for coverage out of pocket until your controllable assets are nearly exhausted. Some people may remember the day when you could qualify for Medicaid by giving away your assets to family and friends. Today, any assets transferred within five years of your application date must be accounted for before you are approved for Medicaid.

---

[1] Medicare.Gov, Skilled nursing facility (SNF) care: https://www.medicare.gov/coverage/skilled-nursing-facility-care.html



## I'M FOCUSED ON IMPROVING MY PORTFOLIO.

You may only meet with your clients once or twice a year. Or, if you do meet with them regularly, they may be focused on the latest returns and asset allocations. Still, longevity has changed how we approach retirement planning, so it's important to work long-term care into existing conversations. While clients are thinking about portfolio returns, you should also be talking about protecting their income from the risk. Remind them that retirement planning means income planning AND protecting against the unexpected. Keep it as simple as that.

**ASK:** Have you considered the tax consequences of liquidating an asset for an emergency?

**ASK:** Are you aware most policies include care coordination to help with a written plan of action?

**ASK:** Can the returns you get from today's assets really outperform the leverage of an insurance policy?

## EMOTIONAL

Focus on why clients have worked so hard to build a strong retirement portfolio – whether it's spending time with family, traveling, participating in their favorite hobbies or passing wealth on to the next generation.

Clients focused on portfolio growth may believe they want to self-insure. However, self-insuring may not effectively preserve their accumulated wealth. The costs can add up quickly. Don't you want your wealth to be spent on what you want, not on what you have to?

If you need care, will there be enough left to fulfill bequests, such as paying for your grandkids' college? Or, if the situation is more drastic, will be there be enough left for your surviving spouse? The last thing you want to leave behind is debt.

## LOGISTICAL

Clients may ask, "How much is enough money that I don't need long-term care planning?" There's no such thing. It doesn't matter how much money you have if you don't know where to turn when something happens. Who is going to call to see what kind of care to get? What's a good home health care agency? What level of care do they provide?

Most policies include robust care coordination features and consultants who can answer these questions and more. The care coordinator at the insurance company can help put your wishes and decisions into a written plan, so your family can focus on what matters most.

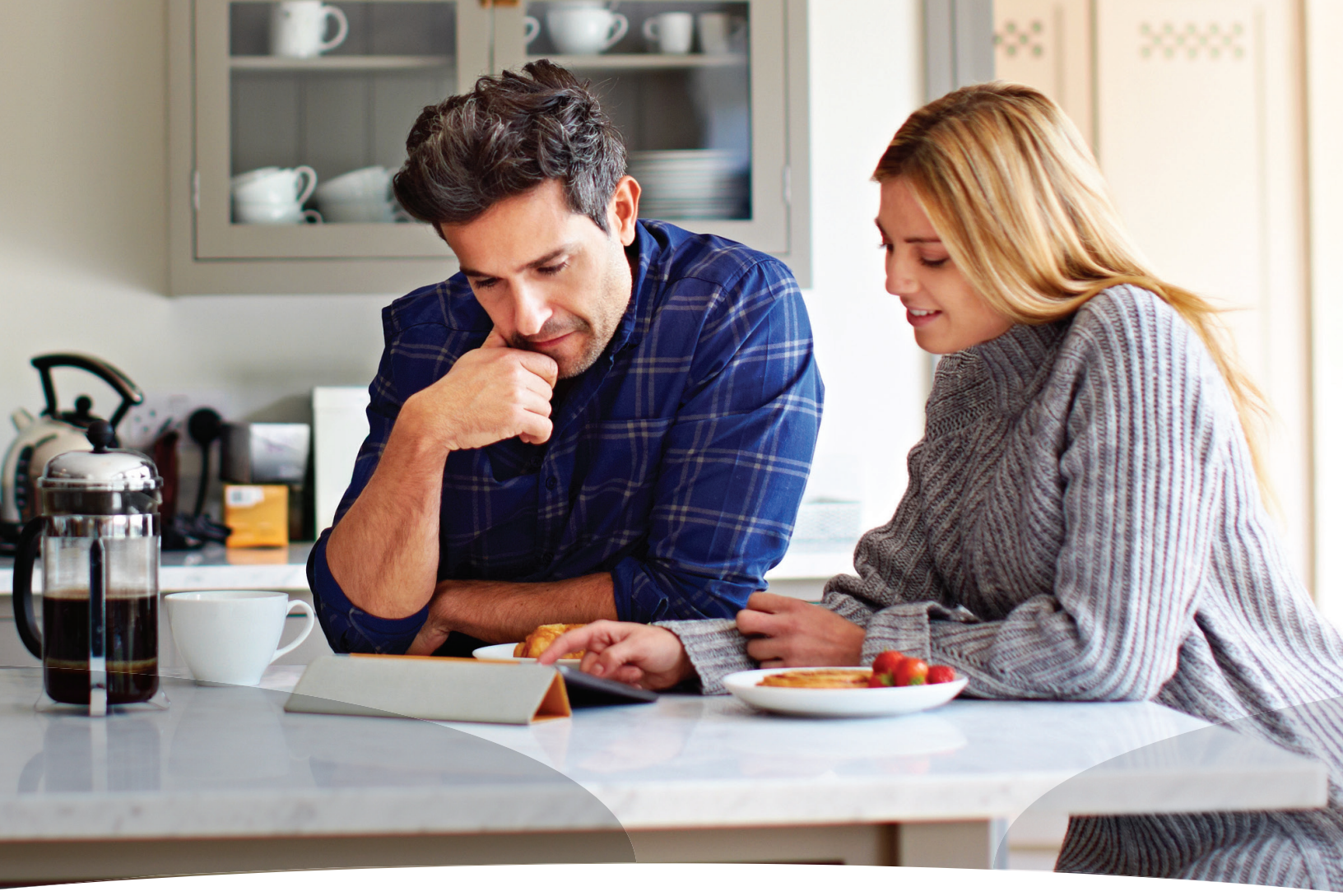
So go deeper than just the numbers. Clients tend to focus on premium cost versus benefits to be paid out. But a plan is more than this. Talk about the features and benefits of the contract. That's what's going to get clients over the hurdle to see the true value.

## FINANCIAL

With retirement planning, income comes first. But once you've established a steady income, turn to protection from the impact of longevity. Your client's largest concern in retirement is likely running out of money. A single long-term care event is one of the biggest potential risks to the income stream they worked so hard to create.

Funding a long-term care plan is a cash flow problem, not an asset problem. Typically, assets earmarked to self-insure aren't liquid, so self-insuring could create unforeseen tax consequences. And, the money is usually needed immediately – so assets are often sold below market value, creating a snowball effect in the portfolio.

A long-term care plan can replace the after-tax income lost for care services, or create a pool of income-tax-free benefits. It helps avoid a fire sale of prized assets while protecting the existing portfolio.



## IT CAN WAIT. I'M YOUNG AND HEALTHY.

When it comes to long-term care planning, two facts are certain:

**1. Insurance will cost more,**
the more you wait.

**2. Your health will change,**
usually not for the better

The best time to create a plan isn't at age 60 or 70. It's at age 40 or 50. It may not seem like a top priority, but just like you start saving for retirement as soon as you start working, you should plan early for long-term care to make it affordable.

**ASK:** Have you thought about the savings potential by buying a plan while rates are low?

**ASK:** How would your family be impacted if something were to happen to you today?

**ASK:** Would it give you peace of mind to have a plan in place, just in case?

## EMOTIONAL

We tend to assume we won't need long-term care until we are older, and that's true – most people who need long-term care are older than 65. But the need for long-term care is unpredictable and could happen at any age due to illness, injury or disability. In fact, about 40 percent of people currently receiving long-term care are under 65. Accidents and disorders such as bone and joint fractures, fibromyalgia, diabetes, depression, stroke and cancer can affect anyone, regardless of age.

## LOGISTICAL

There are risks in waiting. As we age, the risk of needing long-term care becomes greater. If you need care now, it's probably too late to form a plan. If you decide long-term care insurance is part of your plan, premiums are based on age and benefits, so each year you wait costs more money. The cost for the same policy at age 50 can be significantly less than at age 60. And, changes in your health may prevent you from qualifying for insurance at all.

If you believe long-term care is a risk to retirement, act now. Don't let a sudden change in health catch you off guard.

## FINANCIAL

Since insurance premiums are based on age and benefits, each year you wait, you'll lose more money. You're buying it now for later, because it makes financial sense. Depending on how you structure your payments to an insurance company, your coverage will start to build now.

*Since insurance premiums are based on age and benefits, each year you wait, you'll lose more money. You're buying it now for later, because it makes financial sense.*

## IT'S EXPENSIVE. I WON'T SEE A RETURN.

As the cost of care has risen, so has the cost of insurance. Historically this has been the main reason people don't incorporate long-term care insurance into their retirement plan. Some clients may reject a solution because of the price tag. Others don't want to invest in a product they may never use. Both are valid.

The good news is the flexibility of insurance plans has developed quite a bit. More options are available today than ever before. Long-term care products include several options with additional leverage, riders or return-of-premium guarantees. The key is understanding what they are, when they're appropriate and how you can take advantage of them. With so many options, having a plan is less about if you can afford it, and more about how much you want to shift the risk.

**ASK:** Are the assets you've earmarked for emergencies getting a high rate of return?

**ASK:** Does your portfolio have enough liquid assets to be able to withdraw funds quickly?

**ASK:** Would you be upset if your portfolio balance was depleted due to a long-term care need?

## EMOTIONAL

Some coverage is better than none. You don't need to be fully insured. Even a small policy provides a degree of protection you might not otherwise have. Begin the discussion with what they can afford and how much of the costs they'd be willing and able to pay on their own. Also, make sure they know that they always have the option to increase coverage later on, though there may be increase limits or additional underwriting required.

## LOGISTICAL

Do your clients know exactly how they're going to pay for their long-term care bills? Who will have access to their accounts and how much can they use before they need to seek other funds? Are your powers of attorney or living wills updated to access accounts/assets to pay for care?

It's important to ask now, because if that phone call ever comes in, it probably won't come from the client. It would most likely come from their family or a close friend, and you need to know what to tell them.

## FINANCIAL

Many of today's solutions allow clients to retain control of their money. So, if an asset you've already earmarked for emergency expenses has low returns, why not use it to fund a long-term care solution? You could create more leverage and ensure you have coverage for one of the biggest financial emergencies in retirement.

Don't think of an insurance solution as a cost. It's another asset in your portfolio – one that gives you leverage by creating a larger pool of benefits. And, those benefits are tax-free when used for long-term care. Some solutions even ensure your remaining funds go to your beneficiaries (again, tax-free) if they aren't used for care.



*More options are available today than ever before. Long-term care products include several options with additional leverage, riders or return-of-premium guarantees.*

## NEXT STEPS

It's not likely that you'll create an entire long-term care plan in just one meeting. (If you do, please tell us how!) Your goal for the first conversation should be to simply confirm the need to create a plan. You've got plenty of options after that.

The process can feel daunting. But, it's really not as hard as it appears – especially when you've got a great team behind you. By clearing this first hurdle, you've set yourself up for a smoother planning process, a stronger client relationship and a chance to work with the next generation.

If you read this guide but aren't sure which of your clients to talk to, the first answer is "everyone." Everyone needs a long-term care plan. But more specifically, some of your clients may be better prospects for an insurance-based solution. Just ask your Ash Brokerage team for resources on identifying clients.

Or, if you jumped into a conversation that led to the possibility of using long-term care insurance, reach out to our long-term care team to discuss how to find funding and potential solutions.

**(800) 589-3000**

# JUST ASK

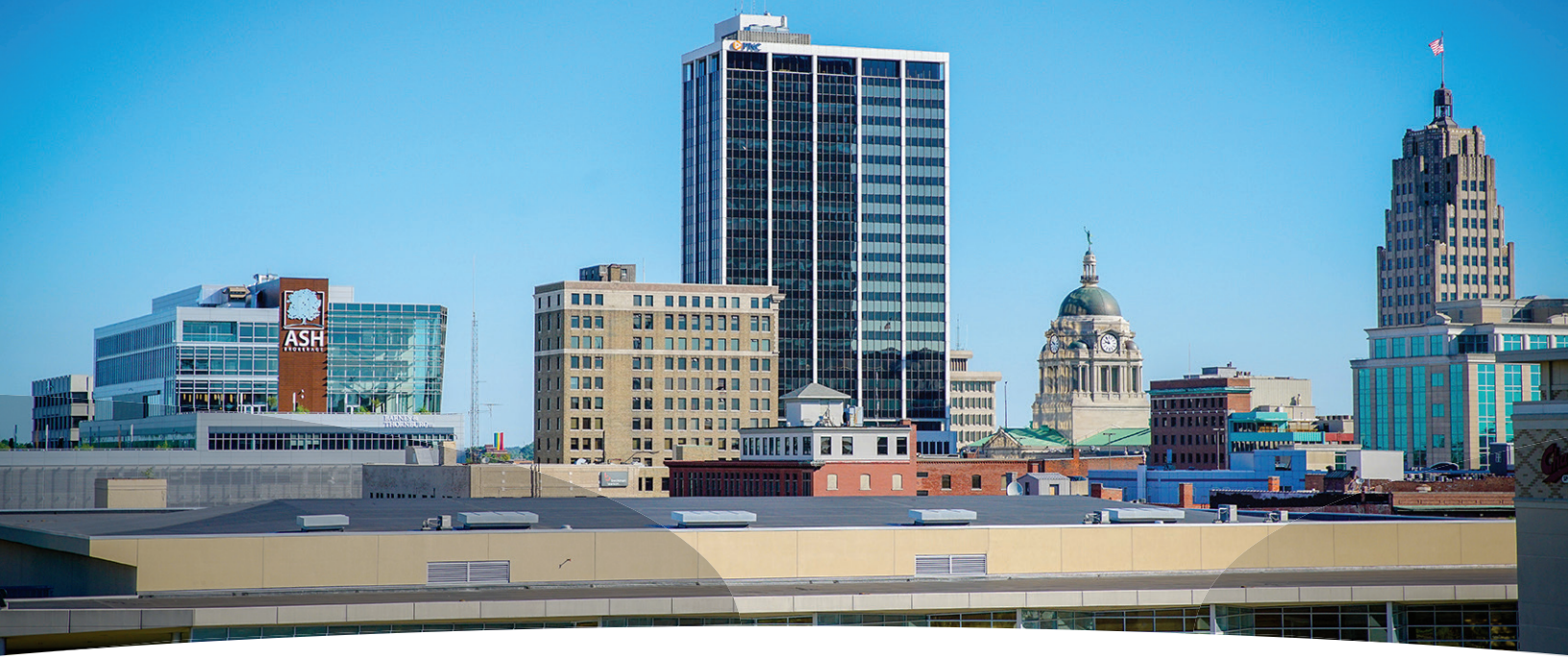
Longevity planning is complex, and it can be intimidating – for advisors and clients alike. It's why some advisors avoid talking about long-term care insurance altogether.
But, when used as a part of a holistic financial plan, it can offer real benefits to both.

So, take another look. With Ash Brokerage as your partner, you don't need to navigate long-term care planning alone. We bring answers. We provide clarity on a confusing topic. We make it simple.

Got a question on LTC? Need an expert? Need someone who is looking out for your clients and your business?
**Just Ask.**

**LONG-TERM CARE. MADE SIMPLE.**

JUST ASK




# ASH ANSWERS

Life comes with questions. We bring answers. Life insurance, retirement income, longevity planning, disability insurance – no matter the need, we provide the tools and, more importantly, the people financial professionals need to get the job done. And done right.

Most brokerages show up with a product and a payout. We show up with solutions, turning obstacles into opportunities. Any partner can process quotes and applications – we help you anticipate challenges, discover new opportunities, innovate and grow.

Trust is your business, and trust is our business. It's what we do. We do it because we care – deeply – about your business, your clients, your future.

Privately owned for more than 45 years, we always strive to do what's best, what's right. And, we put your clients' needs before our own, giving you more than expected – Every. Single. Time.

Whatever the question, whatever the need. Ash Answers.

(800) 589-3000
ASHBROKERAGE.COM

20007 | Rev. 05/20



ASH BROKERAGE
Ash Answers.