

TIMOTHY P. CRAWFORD, S.C.
Your Asset Protection Law Firm

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HELPFUL HINTS – LONG TERM CARE INSURANCE

**By
Attorney Timothy P. Crawford**

Why you should purchase Long Term Care Insurance

SOME FACTS ABOUT NURSING HOMES

- 1. 60% of the people age 75 will be needing Long Term Care Insurance before their death.**
- 2. Average stay in a nursing home in the State of Wisconsin is 36 months.**
- 3. Average stay in a nursing home in the State of Wisconsin for an Alzheimer's patient is 12 years. The reason for this is that you enter the nursing home sooner than normal.**
- 4. The average age of a person entering a nursing home is age 81.**
- 5. Wrong reasons given by people for not buying Long Term Care Insurance:**
 - a. MY HUSBAND IS UNABLE TO PURCHASE, THUS, I WILL NOT BUY EITHER.**

It is extremely beneficial to have Long Term Care Insurance. Even if one spouse can't buy the insurance, it is helpful if the other spouse has insurance. This is particularly true as you may be able to get Government benefits for the spouse in the nursing home, but the planning necessary to do so would restrict the spouse, not in the nursing home, from being able to get the Government to pay for the spouse's stay in the nursing home. Thus, it would be beneficial to get insurance even if only one spouse can get insurance. Thus, if

the spouse with insurance goes in, the insurance company will pay for it. If the spouse without insurance goes in, planning can be done to get the Government to pay for that person's stay in the nursing home.

b. IT IS TOO EXPENSIVE.

Long Term Care Insurance is cheap. It is not too expensive. How can I tell it is cheap? Because, many insurance companies increasing the premiums they charge. This is a good indication that the premiums currently are too cheap.

c. I CAN NOT AFFORD LONG TERM CARE INSURANCE.

In considering the affordability of Long Term Care Insurance, a person should look at one's assets. It is your assets you are trying to protect. Even if your income is low, such as in retirement years, you should seriously be looking at the amount of assets you have to protect. If you have less than \$100,000 in assets, you are correct, you probably can not afford Long Term Care Insurance. My rule of thumb is you should spend no more than 2% of your assets each year to pay for Long Term Care Insurance.

SOME PEOPLE'S OBJECTIONS

1. **I have been told I need to purchase lifetime coverage with benefit payments of \$300 per day which will increase with inflation.** This is a good policy to purchase. However, if you are unwilling to pay for the cost of such a policy, then a solution may be to purchase a policy with 5 years of benefits, then when the insurance company's payments run out, you will be able to have the Government start paying. This can happen if you do your asset protection planning now. Then, when you enter the nursing home, the insurance benefits will pay for your care costs. Thus, when the insurance company payments run out, the Government payments will start and you will not need to use your assets to pay for your nursing home care stay. Sometimes, it is difficult to get you eligible for Government benefits immediately through planning. Thus, having the 60 months of insurance company payments may put you in a position where you do not need to pay for nursing home care out of your own pocket.
2. **I have given my assets away and therefore I do not need Long Term Care Insurance.** Giving assets away will generally cause you to be denied Government benefits to pay for your nursing home care costs. There are some minor exceptions. Gifts that average less than \$3.50 per month will generally not cause you a problem. You must report them. However, they will not make you ineligible. Gifts larger than that to church and charities, as well as small gifts to relatives, will also not cause you a problem if they are less than 15% of your annual income. Yes, they are recordable, but they will not make you ineligible. If you give away other amounts, you will be required to report it and the Government will calculate a period of ineligibility starting from the time you enter the nursing home and you are low assets, low income, and you have applied for benefits. Then, the Government will tell you that you have a period of time that you will be ineligible as a result of these gifts. This period of time

can be shortened by 50% with good planning and understanding how all of the rules are applied to your situation. Thus, it may be a good idea for you to have Long Term Care Insurance to pay for your stay in a nursing home for the period of time that you would be ineligible. For most people, the safest thing to do is to have 60 months of care paid for by an insurance company, if they are planning to do asset protection planning. Thus, through a combination of asset protection planning and Long Term Care Insurance, you can protect your assets from being forced to be spent on long term care.

3. **I do not want to pay for Long Term Care Insurance each and every year.** Check with your insurance agent. Sometimes you can purchase policies which will be paid in full in 10 years.
4. **I do not like the idea of paying for insurance and wasting my money if I never go into the nursing home.** Check with your insurance agent, some companies will issue a policy that, although the initial annual premiums are higher, you will receive all of your money back if you do not use it to pay for nursing home care when your insurance runs out. You can purchase Long Term Care Insurance now and at the same time hire Attorney Timothy P. Crawford to prepare a gifting program for you. The purpose for the gifting program would be to get you eligible for the Government to pay for your nursing home care when your insurance runs out.
5. **It is important to remember that Long Term Care Insurance pays for more than your nursing home care stay.** It can also pay to bring someone into your home to care for you so that you do not need to go to a nursing home. It also can pay for your stay in an assisted living facility. No person likes to think of going to a nursing home. Thus, the purchase of insurance which will cover both home health care and assisted living is very important.

WHAT CAN ATTORNEY TIMOTHY P. CRAWFORD DO TO ASSIST?

1. Even if you have purchased Long Term Care Insurance, you should have a Level III Planning Type Financial Power of Attorney. This would permit the children to do planning when the parent is incompetent and in the nursing home. Even though they purchased Long Term Care Insurance, there is a risk that at the time they enter the nursing home, they no longer will have the insurance as they stopped paying premiums and cancelled the policy before they entered the nursing home. Generally, a typical Financial Power of Attorney prepared by your lawyer does not contain planning provisions. For a Financial Power of Attorney to be useful in planning when someone is incompetent and in the nursing home, it needs to have a number of additional paragraphs.
2. Even if you have purchased Long Term Care Insurance, you may want to protect your home now. You can apply for Government benefits even though you own a home. However, if you get the Government to pay for your nursing home care and then die as a widow in the nursing home, your home will be sold, and the Government will get back the money the Government gave you to pay for your

stay in the nursing home. Therefore, it is extremely important that anyone over age 65 with less than \$600,000 in financial assets protect their home by entering into an agreement with their children. They should not give away their home because of the capital gain tax problem for the children upon sale. They should not give away their home. They should keep control of it. They should keep the right to sell it. They should keep the right to live in it. They must have a special agreement with their children. Neither the parent nor the children would be forced to sell the home to pay for the parent's nursing home care.

3. If you do not have Long Term Care Insurance, it is extremely important that you protect your home.
4. If you do not have Long Term Care Insurance, you should hire Attorney Timothy P. Crawford now to design an asset protection plan so your assets do not need to be spent on your nursing home care costs in the future.
5. If you do have Long Term Care Insurance, it is important that you hire Attorney Timothy P. Crawford now to review the design of your Long Term Care Insurance benefits. Generally, your Long Term Care Insurance benefits will be insufficient to solve the cost problem of your long term care. Thus, it will still be necessary to hire Attorney Timothy P. Crawford now to design a asset protection plan so your assets do not need to be spent on your nursing home care costs in the future.
6. Remember, even a person in the nursing home can still have Attorney Timothy P. Crawford prepare a plan to protect at least 50% of their assets. Many people think it is too late once you are in the nursing home to do planning. The Government still permits planning to be done even if you are in a nursing home, so that you do not have to spend all of your money on nursing home care.

**“Those Who Plan Ahead Win.
Those Who Don’t Plan Ahead Lose.”**

This article is not intended as legal advice. It is basic information. I would recommend that you call Attorney Timothy P. Crawford for a free conference to discuss your situation in more detail. Attorney Timothy P. Crawford can be reached toll-free at 1-888-634-6675. When you call in, please mention the fact that you have read this article.

*Attorney Timothy P. Crawford is a Board *Certified Elder Law Attorney. He has been Board Certified by the National Elder Law Foundation which has been approved as the Sole Certifying Organization for Elder Law Attorneys by the American Bar Association.

**Timothy P. Crawford was invited to join the Council of Advanced Practitioners of the National Academy of Elder Law Attorneys (NAELA) in August of 2005. The **Council of Advanced Practitioners (CAP) is a small group of premier elder law attorneys, all of whom have been members of NAELA for at least 10 years, are certified as elder law attorneys by the National Elder Law Foundation, and are AV rated the top in the nation by Martindale Hubbell. A Service that provides an independent rating of the quality of attorneys.

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**“Helping Families in Wisconsin for Over 40 Years to Protect Their Assets from
Nursing Home Care Costs”**

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