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Branch Manager

# RETIREMENT INVESTING

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PROTECTION

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## Thanks!

Thanks for the tremendous response to our first issue of *Retirement Investing!* It was great hearing from friends that we haven't heard from in awhile. You don't have to be making an investment to give us a call. We love hearing from you!

This newsletter is something that has been in the planning stages for about a year. We are trying to provide you with information that will hopefully be useful in your financial future. Whether your need is for help with retirement savings, supplemental income, money for children's education, or saving for a specific purpose, we will do our best to help you understand the features of each investment alternative and implement the proper solution.

This newsletter was developed for you, and we will try to write about topics that are of interest. If you would like to know about topics not covered in the newsletter, be sure to contact us. You can give us a call, drop us a note, or you can e-mail me at [martin@martinnorthern.com](mailto:martin@martinnorthern.com).

When you think about retiring, it's tempting to focus on such enjoyable prospects as traveling more or moving into your dream home. But as we age, it's crucial that we think about the potential downsides, including becoming responsible for the care of another person.

According to *Business Week*, October 14, 1996, more than half of the U.S. population will one day need long-term care. Such care is provided when someone can no longer independently carry out everyday activities. And most people think of long-term care as something needed for older people, but accident or illness can strike someone at any age. When it does, they too may find themselves in need of assistance.

Traditionally, family members have provided this care when needed. However, today's smaller families may be scattered across the country, and most family members are working outside the home. What's more, caring for a loved one full-time can overwhelm even the most devoted family member. As a result, more caregivers than ever are turning to outside resources to help with the care of a family member.

Many people automatically think of nursing homes when they think of long-term care, but there are other options available as well. Some are provided in your own home, and others are in the community. This issue of *Retirement Investing* discusses some of the long-term care arrangements, and how to shop for a long-term care insurance policy to help cover such expenses. By taking action now, you may be able to minimize the financial and emotional stress associated with the need for long-term care.

## Long-Term Care Insurance

Insurance is a very important part of your long-range financial security. And if you are like most people, you have been saving for the future and planning for your retirement. Unfortunately, most people often overlook the need to protect against the expenses associated with a prolonged illness that requires special care. According to the *New England Journal of Medicine*, people over the age of 65 have a 43% chance of having a nursing home admission. And many will be there for a number of years.

According to the Agency for Health Care Policy and Research, use of a nursing home exceeding 5 years is expected for as many as 1 out of 5 nursing home users over the age of 65. Nationwide, the average cost of a nursing home stay is over \$4,200 a month. Daily in-home care is much more.

According to the October 2, 2000 issue of *Kiplinger's Retirement Guide*, many people believe that Medicare will pay for their long-term care if they ever need it. It won't, except for up to 100 days of nursing care following a hospital stay. Long-term care often involves non-medical help with daily tasks. Medicare won't pay for that, and neither will a medigap policy or regular health insurance. The April 1, 1997 issue of *Employee Benefit News* reported that on average, Medicare only pays for approximately 8% of long-term care costs in a nursing home.

But what about health insurance? Most HMOs do not cover the ramifications of these illnesses:

1. Limitations of Parkinson Disease.
2. Extra care needed to deal with Chronic Arthritis.
3. Incapacity of Multiple Sclerosis.
4. Disability caused by Stroke.
5. Care needed due to Alzheimer's.

Insurance and health care in the U.S. is designed to handle acute illness – illness that the doctors can fix by checking you into the hospital, fixing it and releasing you. But many illnesses do not behave this way. Many have a long-term debilitating nature, and your health insurance may not cover these long-term costs resulting from the illness.

Given a choice, most people prefer to receive care in their own homes – another option seldom covered by Medicare. Purchasing long-term care insurance with the right benefits means that you can decide where you will receive care while protecting your life savings.

Long-term care insurance is a valuable tool to help you handle the cost of an unplanned lengthy illness. If you know someone who has needed this kind of care, then you have seen the impact that a serious health problem can have on his or her financial security. This insurance can help you protect your nest egg and your family from substantial medical costs.

## How To Compare Long-Term Care Policies

When shopping for long-term care, there are 5 important questions that you need to have answered before taking out the coverage:

1. **What is the length of coverage?** It generally can be from one year to a lifetime.
2. **How much daily benefit is requested?** \$100 a day for nursing home/assisted living coverage is average, but you may want a higher amount depending on where you live.
3. **Is in-home care desired?** Some policies offer in-home care at the same daily rate.
4. **Is inflation protection desired?** You may choose 5% compounded or 5% simple between 66 and 75.
5. **How many deductible days, or “elimination period” are desired.** This determines when benefits begin.

We help our clients answer these 5 important questions. We don't believe that an adequate comparison of policies can be accomplished until each of these questions are answered fully. As with most financial decisions, the important questions concern your individual needs and desires and not the features of the product.

Before you take out a policy, make sure that you can afford the premiums without compromising your standard of living now and in the future. If you can't afford the premiums later and allow the policy to lapse, you have wasted your money.

For professional help in comparing long-term care policies, please check the enclosed coupon. We are here to help you.

## Common Mistakes In Selecting A Long-Term Care Policy

Let's address some of the selection issues so you can make the right choice in choosing a long-term care policy.

The length of coverage generally can be from one year to a lifetime. In general, the longer the term of coverage, the higher the premium. This is an important choice that you need to make.

As to care inside vs. outside the home, many people prefer to receive care inside the home. While this is understandable, the more important coverage is for care outside the home. Here's why:

If your health condition deteriorates significantly, you could require care many hours each day. While a policy that pays you \$100 per day would cover most of the cost for care outside the home, it may only cover a fraction of the care inside the home. Let's say that you needed someone to be with you around the clock. Twenty four hours at \$12 per hour is \$288 per day! The \$100 per day insurance would leave you with a huge bill to cover out of your own pocket. But full care outside the home might be \$130 per day, and your insurance of \$100 per day would cover most of your cost. Therefore, never take the risk of covering care just inside the home, since you could incur large expenses that will far exceed the coverage of your policy.

Whenever you purchase any type of insurance, always cover your worst risk first. In other words, buy insurance first for a catastrophic situation, and then for the less serious risks. And remember to factor in for inflation. As we have seen the last fifteen years, medical costs have risen at a far greater amount than the overall consumer price index.

Another common mistake is the selection of a 90-day elimination period. This is the period of time when you must pay for long-term care from your pocket. The long-term care insurance policy would begin paying on the 91<sup>st</sup> day. Many people are under the misconception that Medicare covers the first 100 days.

According to the [Long Term Care Handbook](#) by National Underwriter, Medicare can cover up to the first 100 days of a nursing home stay. Presently, it pays for the first 20 days, and a portion of the next 80 days. ***But only days of skilled nursing care, and not custodial or intermediate care, meeting the following requirements:***

1. Following a 3 day stay in a hospital.
2. Admission to a nursing home within 30 days of hospital discharge.
3. The nursing home must be Medicare certified.
4. A physician must certify the need for skilled care on a *daily* basis.

*All four of these requirements must be met, or Medicare may not pay the claim.*

And as we mentioned earlier, Medicare's requirements are so restrictive in qualifying for "skilled" nursing care, that Medicare only pays for about 8% of all long-term care expenses in the U.S. If you cannot afford to cover the first 90 days out of your own pocket, get insured for this through a long-term care policy.

## When Should You Get Long-Term Care Insurance?

You should obtain insurance as early as possible. The longer that you wait, the more expensive it gets. In general, each year that you wait to start a policy, the premium jumps 10%

Some people ask if they would be better off saving money to prepare for a long-term care need, rather than investing in insurance. The problem is that you could never save enough to equal what an insurance policy would pay.

Let's say that at age 50 that you started saving \$680 per year for future long-term care needs. Invested at 12% rate of return annually, you would accumulate \$164,000 over 30 years. But in 30 years, the cost of 4 years in a nursing home could be well over \$600,000! You can never accumulate enough through saving \$680 per year. But the same amount invested in long-term care insurance would provide a policy with benefits of \$631,000 to help handle the cost. This example is based on a major insurance company's comprehensive policy rates with 4 years coverage, 90-day elimination period, preferred health rating and an initial daily benefit of \$100 per day, with 5% compounded inflation.

And, it is best to start a policy early because the premiums are lower. Most importantly, the reason to start with the insurance early is so you can qualify for coverage. As you age and the risk of adverse medical conditions become greater, you run the risk that you will not qualify for insurance. We see many people wait so long that they develop medical conditions and notations in their medical records that make them uninsurable.

Does that mean that if you are already 78 years old that you cannot get insurance? Not at all. Many insurance companies do accept many pre-existing medical conditions and there is no cost to apply. It is much better to apply if you want this protection, and to do it now rather than later.

## Insurance That Pays All Of Your Premiums Back

Imagine that you paid your homeowners insurance all of your life, and never made a claim. Eventually, your insurance company sent you a check with a note that said, "*Here's your money back because you never made a claim!*"

I don't know any homeowner's insurance company that will send your money back, but there are long-term care companies that will. It is called "return of premium" and refunds your premiums at death if you do not use the insurance. Note that return of premium is not available on all policies, and may not be available in every state.

You may already own long-term care insurance, or you may have thought about getting it. You might even be putting off getting it because you may think that your money will be wasted if you don't use the insurance. The same holds true for your auto and homeowner's insurance, but you would never think of not having these policies!

The solution may be the return of premium feature. It is an optional feature offered by only a few long-term care companies.

Here is an example: The insurance company refunds 100% of your premiums if you do not use the policy, own it for at least 5 years, and then die. You pay extra for this feature, but if you are correct, all the premiums that you pay are refunded. Obviously, the check will go to your beneficiary.

This is just a brief summary of the return of premium feature. If you do not already have long-term care insurance, this may be a feature that you want, especially if you do not feel that you will use it.

**Fixed annuities, life insurance, and long-term care insurance are not offered by Great Nation Investment Corporation, but are offered through Martin Northern and Insurance Designers.**

Note that investments compared to CDs and T-Bills are not insured while CDs are FDIC insured and the federal government guarantees T-bills. Nothing herein is intended to be legal or tax advice. Readers are encouraged to consult their accountant or attorney. Mention of a particular investment should not be considered a recommendation. Recommendations can only be made by determining investor suitability. Past performance is not a guarantee of future results and no investment strategy can guarantee positive returns. Annuities and Mutual Funds are sold by prospectus only, subject to availability. Any rates quoted herein are subject to change. The S&P 500 and Dow Jones Industrial Average are weighted, unmanaged indexes.

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ON THE FOLLOWING TOPICS  
RETURN THIS TO:  
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**Please send information on these topics mentioned in your newsletter:**

- I would like to know more about these topics not covered in your newsletter:**

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- I have been comparing long-term care policies, and would appreciate the assistance of a long-term care specialist in comparing the features and benefits of each.**
- I do not have any long-term care coverage. Please contact me regarding a free, no obligation consultation.**

**I think these people would like to receive your newsletter. (Please provide name and addresses with zip code):**

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