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RETIREMENT INVESTING

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PROTECTION

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Long-Term Care Insurance

Our population is aging, and life spans show every promise of continuing to climb. Still, health care innovations will not advance enough to erase the illnesses and complications which come with old age. And that means that many of us could be looking at extended, out-of-hospital care, such as in a nursing home or through home-health assistance sometime in our lives. Considering that the price of the average nursing home stay could spiral to \$80,000 annually by 2010, it is smart to consider whether you will have the money to pay for this care. Buying a long-term care policy is one way to help assure that this care is available. But before you invest in a policy, consider the factors that can help land you the best coverage and price for your individual needs.

How Much Does It Really Cost?

Compared to several years ago, long-term care policies provide more comprehensive coverage and are less likely to carry steep premium increases over time. Still, policies run anywhere from \$900 to more than \$7,500 annually. The older you are, the more that you will pay for this coverage. Insure.com notes that a policy offering a \$100-a-day nursing home benefit, or \$50 a day for home care, a lifetime benefit period, a 20- to 30-day deductible, plus inflation protection would cost about \$1,450 annually for a 55-year-old, but more than \$6,350 if you are 75.

What Will You Really Need?

Before you rush out to buy a policy before your next birthday, consider why you may need it, and how much you can get away with buying. Between 65 and 69 there is only a 10% chance that you will need this insurance, but this probability spikes to over 40% by the time you reach 85.

And Medicare will not pay much. After three consecutive days in the hospital, Medicare pays everything for the first 20 days at the nursing home, and costs over \$96 per day for the next 80 days. After 100 days, you are on your own. Don't forget that home health care may be a major cost in a long-term illness, and Medicare does pay these costs, along with 80% of any equipment you need.

Some Medigap policies which you can buy separately to supplement Medicare will also pay for various levels of nursing-home care. Overall, these policies are not known to give you a better deal than private long-term care insurance. Still, you never know, so find a private policy you like and compare it with a similar Medigap plan in your state. To compare Medigap policies, call 1-800-MEDICARE (1-800-633-4227) or head for <http://www.medicare.gov>.

However, you may not have Medicare at all. If instead you have group coverage, this is often more comprehensive than Medicare, but perhaps not where long-term care is concerned. This is one reason why long-term care insurance grew in popularity in the first place.

So, if you decide that buying long-term care coverage is the way to go, you will want to balance lower premium costs at earlier ages with soaring chances of using this coverage later on.

Here are the circumstances that may be optimal for making this purchase. If several of these apply to

you, then you should consider getting a long-term care policy:

1. If you are age 65. Before 65, the likelihood of chronic illness is small.
2. If there is a history of chronic illness with you and/or your family.
3. If you are a woman, or buying coverage for you and your wife, about half of the women who reach 65 will need nursing home care sometime during their lifetime, compared with about 33% of men the same age.
4. Do you have family members who will be willing and able to help you if you have a long-term illness?
5. You have enough, but not too much money? If you are a couple with assets, not including your house, of less than \$100,000, or a single person with assets of less than \$40,000 to \$50,000, you would probably deplete your assets, making you eligible for Medicaid.
6. You also do not need long-term care insurance if you have enough income from retirement plans and investments so you would not have to tap assets to pay the annual tab at a nursing home. Medicaid rules differ from state to state, but in general, if one spouse goes into nursing home, the other can keep about \$75,000 in assets, not counting the value of possessions that include the house and car.
7. Your company has a history of changing coverage on its employees and/or retirees. In this case, you may not want to risk having your coverage pulled just when you reach the age where private long-term care policies spike in cost.

How Should You Buy?

As with any financial move, the decision to purchase long-term care insurance will take careful consideration and shopping around for the best

coverage and price. Obviously, you will want enough coverage so that you do not have to tap your assets should you need care. The average buyer spends 6% of annual income on such policies, according to a study by the Health Insurance Association of America. The average nursing-home stay is about three years, and the likelihood of staying more than three years is just over 10%. Therefore, buying a policy with a three-year benefit period that covers nursing home care, in-home care and assisted living care is adequate in many cases.

As with most types of insurance, long-term care policies vary widely in coverage, cost, and availability. Insure.com (<http://www.insure.com>) can help you locate any insurance company's quality rating from Duff & Phelps. As with any insurance, make sure that you buy a long-term care policy *only* from an insurance company with a high-quality rating. Weighing the different factors, such as your age, assets, health, and current coverage, that go into buying a long-term care policy is a lot of work. However, the cost of long-term care, or too much coverage, is simply too high not to study the issue carefully.

Comparing Long-Term Care Plans

Unlike automobile and homeowners insurance, long-term care can not be shopped by price alone. This insurance is relatively new to the market. It has only been around for about 30 years, and no two company's plans are exactly the same.

Let's look at an example using two companies. Below are premiums from two companies for the following coverage:

Age 60	Spousal Discount
Preferred Health	\$100 A Day Benefit
Unlimited Benefits	In-Home Care
Assisted Living	Adult Day Care
Hospice	Nursing Home Care
30 Day Deductible	Compound 5% Benefit Increase

Company A
\$1696 a year

Company B
\$1460.67 a year

A price shopper could say that Company B is the obvious choice, since it costs less money. However, if one were to look more closely at the plans and their features, one would probably be inclined to choose Company A. Why?

Let's just look at a couple of differences. For one thing, Company B says that your home health care must be provided by a home health care agency. Company A says that you can pick your own home care provider, including a member of your family.

Company B doesn't waive premiums if you are receiving home health care. Company A waives premiums while you are receiving any type of care.

Are there more differences? Yes. And that is why it is important to request the assistance of a long-term care insurance specialist to help you shop the market. Keep in mind that you should consult a specialist that offers a variety of companies, and is not limited to showing you just one product from one company.

Long-term care needs present challenging decisions. If you currently have a long-term care plan, you may want a professional comparison, and a review of your benefits. Make sure that you have a plan that is going to provide you with the benefits that you want when you need them. We are here to help.

Planned and Charitable Giving

Planned and charitable giving fulfills an important societal need. Not-for-profit organizations promote the arts, support religious beliefs, advance education, help the less fortunate, and much more. Without the generosity of donors, many of their good works would not be possible.

As if that is not reason enough to give, thanks to income and estate tax laws, charitable giving is often

as financially beneficial to the donor as it is to the gift's recipient.

Individuals can give to their favorite causes, both during their lifetime and at death, and those gifts can take many forms. Immediate gifts, such as writing a check to a religious organization, sending appreciated stock or real estate to your alma mater, or donating a valuable painting to a local museum, are most typical. Those gifts usually help donors reduce their income tax bills.

But planned giving offers a host of other strategies which you can use to help charities or loved ones with gifts made over a period of time, or triggered at a future date.

UPCOMING WORKSHOP

“Unlocking The Secrets To A Successful Retirement”

Red Lobster Restaurant
8407 West Markham Street
Little Rock, Arkansas 72205

Monday, November 5, 2001 6:00 PM
Tuesday, November 6, 2001 6:00 PM
Wednesday, November 7, 2001 6:00 PM
Thursday, November 8, 2001 6:00 PM
Monday, November 12, 2001 6:00 PM
Wednesday, November 14, 2001 6:00 PM

Dinner will be served, but seating is limited.
Call 316-3100 or 800-468-3007 to make your reservation.

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- I do not have any Long-Term Care Coverage. Please contact me for a *free*, no-obligation consultation.
- Please contact me about how the New 2001 Tax Laws will affect my individual investment circumstances.
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