

Financially InKlein'd™

A Publication of FINANCIAL DESIGN CENTER, A Registered Investment Advisor
5020 Campus Drive Newport Beach, California 92660-2120



FINANCIAL DESIGN
CENTER

Planning, Managing, and Protecting
Your Financial Independence™

(949) 251-0910

www.financialdesigncenter.com

rklein@financialdesigncenter.com

Long-Term Care Insurance — It's Not About You

When your homeowners insurance premium notice arrives in the mail, do you think to yourself, "I've paid this premium every year for several years, we've never had a claim, let's not pay it this time.?"

Of course not! Given the fact that the probability of a major house fire is 1 in 1,200 vs. a 1 in 2 chance of needing long-term care, why would you think twice about renewing your long-term care insurance?

Why Did You Purchase Your Long-Term Care Insurance Policy?

While we don't necessarily have buyer's remorse when it's time to pay our long-term care insurance renewal premium, it's easy to forget about the reason that we purchased our policy in the first place.

This is especially true when we are in the midst of a recession as we are now and we are faced with writing a check for several thousand dollars for something for which we may not perceive any immediate benefit.

When you receive your long-term care insurance premium renewal notice, it's natural to think some of the same thoughts you had before you decided to purchase your policy:

"What if I don't live a long life? Very few people in my family made it past their 70's. Even if I live a long life, what if I don't need care? Everyone in my family was healthy until the day they died."

While the *risk* of living a long life and the *risk* of needing care may be low because of your particular family history, your motivation for purchasing your long-term care insurance policy was probably not dictated by risk factors. Chances are, it was instead all about *consequences*.

Consequences to Those You Love

Although not as obvious, just like when you purchased life insurance, your motivation for doing so wasn't about you. It was instead about the *consequences to those you love*.

We have all heard horror stories about the financial disasters experienced by surviving spouses and children when faced with insufficient or no life insurance to replace the deceased's earnings.

Unless you personally know someone who has required long-term care, the consequences to those you love of not having a long-term care protection plan in place if you ever do need care over a period of years may not be quite as obvious.

Two Types of Consequences

Failure to develop a plan for long-term care will likely result in two types of consequences:

- To the emotional and physical well-being of your caregivers; and
- To your investment portfolio which was never intended to pay for care.

Emotional and Physical Well-Being of Your Family

If you need care over a period of years, it will be your family — not you — who will be most impacted.

It's probably not your goal to have either your spouse and/or your children put their lives on hold for a period of years to take care of you, however, this is exactly what will happen in the event that you don't have a plan.

Long-term care demands your family's attention because a cognitive impairment, e.g., Alzheimer's, or an inability to perform the basic activities of daily living are all-consuming.

Your Life Savings Won't Pay For Your Care

With a 40% decline in the stock market over the last 1.5 years, the value of your investment portfolio may be lower since you initially purchased your long-term care insurance policy.

If you couldn't afford to self-insure your long-term care needs when your net worth was greater, how will you be able to do so now?

Conclusion

When you receive your long-term care insurance premium renewal notice, remember that if you ever need care over a period of years, your life is not going to end — someone else's will. It's about consequences to your family.