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What You Need To Know

About Long-Term Care Planning

by Jeffrey A. Gump, CB&H Wealth Management Services, LLC

Facts about Long-term Care (LTC) Planning

Baby boomers started turning 65 in 2011 and the number of senior citizens will increase dramatically during the 2010 to 2030 period. The senior citizen population in 2030 is projected to be twice as large as in 2000, growing from 35 million to 71.5 million. Between 2000 and 2040 the number of older adults with disabilities will more than double, increasing from about 10 million to 21 million [1]. By 2050, the number of individuals using paid long-term care services in any setting (e.g., at home, residential care such as assisted living, or skilled nursing facilities) will likely double from the 13 million using services in 2000, to 27 million people. This estimate is influenced by growth in the population of senior citizens in need of care [2].

People generally think there are four ways to pay for long-term care: Medicare; Medicaid, out of pocket, or private long-term care insurance. Those who are thinking of relying on Medicare or Medicaid to provide long-term care services need to be well informed about the advantages and limitations of these programs. Medicare may pay up to 100 days of care in a skilled nursing facility per benefit period- 100% for the first 20 days (after a three-day hospital stay, provided skilled care is needed). Then, for days 21-100, Medicare requires a co-payment. Medicaid generally pays for certain health services and nursing home care for those with low incomes and limited resources [3].

Without private insurance or public program coverage, the high cost of long-term care is unaffordable for most Americans. According to *Genworth Financial 2012 Cost of Care Study* the average cost of a private room nursing home stay in 2012 was \$82,125 per year in Virginia. The base rate for assisted living facilities averaged \$41,775 per year in 2012, and adult day services averaged \$55 per day in the Commonwealth. During the same period, hourly home care agency rates averaged \$18 for a licensed home health aide [3].

The market for private Long-Term Care Insurance (LTCI) developed as an alternative to public program coverage (Medicare and Medicaid) or direct payments (self-insure) for services, but LTCI is underutilized. A 65 year old female has a 2.6% chance of a major house fire, 18% chance of a severe car accident, and/or a 72% chance of needing some kind of long term care in her lifetime. The

What You Need To Know About Long-Term Care Planning (con't)

Facts about Traditional (Standard) Long-Term Care Insurance (LTCI)

majority of Americans do not think twice about purchasing auto and home insurance, but only 8 million Americans currently own Long-Term Care Insurance [4].

Long-Term Care Insurance (LTCI) helps provide for the cost of long-term care beyond a predetermined period. LTCI covers care generally not covered by health insurance, Medicare, or Medicaid. Individuals who require long-term care are generally not sick in the traditional sense, but instead, have a severe cognitive impairment or are unable to perform at least 2 of the 6 basic activities of daily living (ADLs): eating, bathing, getting dressed, using the restroom, transferring – moving in and out of bed/chair, and continence- controlling ones bowel/bladder.

The American Association for Long-Term Care Insurance, 2012 LTCi Sourcebook, research found that over 8.2 million Americans are protected with long-term care insurance and 337,000 Americans applied and obtained long-term care insurance coverage in 2011. Three out of every four individuals that applied for LTCI in 2011 were between 45 and 65 years old with over half of them applying when they were 55 to 64 years old.

The *LTCi Sourcebook* also found that over 200,000 individuals received long-term care insurance benefits in 2011 with those claims being paid totaling over 6.6 billion. 89.6% of the new claims opened in 2011 were Americans over the age of 70 with 65.5% of them over 80 years old. In home care accounted for 56.5% of the new claims while nursing home care accounted for 31%, and assisted living claims accounted for 19%.

Are Long-Term Care Insurance Premiums Deductible?

In 2013, LTCI premiums are tax-deductible up to a certain amount that is determined by the insured attained age on December 31, 2013 using the following table:

- | | |
|------------|-----------------------|
| ➤ \$ 360: | 40 years old or under |
| ➤ \$ 680: | 41 to 50 years old |
| ➤ \$1,360: | 51 to 60 years old |
| ➤ \$3,640: | 61 to 70 years old |
| ➤ \$4,550: | 71 years old or older |

Current Landscape of the Long-Term Care Insurance Marketplace

As the senior citizen population grows so does the rapidly increasing need for long-term care; even with this increased demand in the marketplace to sell their products the companies that offer traditional LTCI are shrinking. Since 2010, insurance giants Unum and Met Life have pulled out of the marketplace entirely

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while Prudential has stopped offering policies to individuals and now they only sell group policies. There are roughly 15 insurance companies offering standard (traditional) long-term care insurance with the majority of the new policies being written by Genworth, John Hancock, MassMutual, Mutual of Omaha, New York Life, Northwestern Mutual, and Transamerica.

If you are considering buying Traditional (Standard) Long-Term Care Insurance, then the old saying “there is no time like the present” has never been more true. Carriers are fleeing the marketplace and the companies that are still around are becoming more restrictive in their underwriting guidelines while raising premiums. Out of the quotes I ran for the last couple years, Genworth Financial has typically been the least expensive of all the carriers for most Virginians. If you are considering buying LTCI and are a female or are less than 55 years old, then time is of the essence to take advantage of lower premiums with Genworth. In mid to late April, Genworth is making changes to their product that will bring them in line with changes other carriers have already made. They are increasing prices for single females often by 50% to 80%, partly because of new gender-distinct pricing. For couples and single males ages 35 to 55 their premiums will go up by as much as 18%. They will also be reducing the discount couples get for purchasing LTCI at the same time from 40% to 25%.

Americans typically purchase Long-Term Care Insurance not because they expect to need care; but because of the consequences to them and their family if they ever did need care. Having a plan in place for a long-term care event, with or without insurance, should be an essential part of everyone’s overall financial planning.

If you need help creating a long-term care plan, Hook Law Center attorney, Andrew H. Hook, is a Certified Financial Planner® who has years of experience helping clients determine the best solution for their long-term care planning needs. His team can cover all long-term care planning concepts and explain the wide range of insurance offerings from Traditional LTCI to products that link a LTCI benefit to an annuity or life insurance contract. Hook Law Center can also assist clients with their estate, financial, insurance, veterans' benefits, and special needs planning issues

Jeffrey A. Gump is a Financial Advisor for CB&H Wealth Management Services, LLC which is a wholly owned subsidiary of Cherry, Bekaert LLP. Cherry Bekaert is one of the largest accounting and consulting firms in the Southeast and has local offices in Virginia Beach, Norfolk, & Newport News. Jeff has over fifteen years of experience providing insurance, investment, banking, retirement planning and estate consultation services. For more information email him at jgump@cbhwealth.com.

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- 1] Source: American Association for Long-Term Care Insurance- 2009 LTCi Sourcebook,
[2] [U.S. Department of Health and Human Services and U.S. Department of Labor - The future supply of long-term care workers in relation to the aging baby boom generation: Report to Congress. (Washington, DC)
[3] Source: Genworth Financial- Genworth 2012 Cost of Care Study
[4] Source: Source: American Association for Long-Term Care Insurance- 2011 LTCi Sourcebook. Need for long-term care based in being ADL Disabled or cognitively impaired.

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April is National Financial Literacy Month

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Personality and Pet Choices

Hook Law Center: Kit Kat, what does a person's pet choices show about his/her personality?

Kit Kat: Well, as it turns out, there are lots of studies with information about the relationship between the 2 things. First of all, there are a lot of animal lovers in the US with 62% of all households having a pet. Dogs edge us cats out by a small margin. 39% of pet owners have dogs, and 33% of pet owners have at least one cat.

Some of the studies confirm what one would naturally think. For instance, people with young children tend to have dogs. People in the suburbs tend to have dogs. However, people living in apartments tend to have cats or small dogs. Also, people tend to prefer the animals with which they were raised. All of these findings, to me, are what is to be expected. However, a University of Texas study found a relationship between personality and pet choice. It found that dog-lovers are more extroverted, agreeable, and conscientious than cat-lovers. On

Ask KitKat: Personality and Pet Choices

the other hand, it also found that cat-lovers are more creative, adventurous, and prone to anxiety. Well, I don't agree with that last part about anxiety, but that is what they found. But you know studies--sometimes it depends on how the questions are asked.

Now here's an interesting tidbit from a 2008 Gallup study--it relates to politics and pet choice. 33% of dog owners identified themselves as Republicans, while only 28% of cat owners considered themselves Republicans. It might be kind of fun to see whether that is true by asking one's friends on an informal basis. And how about this--who's your favorite Beatle? Dog lovers were 18% more likely to choose Paul McCartney, while cat lovers were 25% more likely to choose George Harrison. And I love this one--cat lovers are 17% more likely to have completed a graduate degree, beyond the bachelor's degree.

I thought this was such interesting information, and I hope you feel the same! In the end it doesn't really matter whether people favor dogs or cats. It's just great there are so many people who love animals. And one last thing--the studies also found that animal lovers of all types are generally optimists! I couldn't agree more! (<http://www.youbeauty.com/mind/dogs-and-cats>, by Mother Nature Network, Sep.19, 2012)

Upcoming Events

■ Hook Law Center is presenting a seminar on Estate and Long Term Care Planning to NARFE (National Active & Retired Federal Employees) Churchland Chapter 129 at Dennis' Steak and Spaghetti Restaurant, 3356 Western Branch Blvd., Chesapeake, VA on **April 9, 2013 at Noon**.

■ Hook Law Center and Beth Sholom Villages in partnership with Brightstar is co-hosting a program on Medicaid at Beth Sholom Villages, 6401 Auburn Dr., Virginia Beach, VA 23464 on **April 11, 2013 at 6:00 p.m.** To **RSVP** by **April 8th**, please call **757-227-4047 (Brightstar Care of Chesapeake)** or email [**mwalton@brightstarcare.com**](mailto:mwalton@brightstarcare.com).

■ Hook Law Center is presenting a seminar on Estate and Long Term Care Planning at Sentara Princess Anne Hospital, 2025 Glenn Mitchell Drive, Virginia Beach, VA 23456 on **April 24, 2013 at 5:30 p.m.**

■ Hook Law Center will be presenting a seminar on Estate Planning and Long-Term Care Planning at Lake Prince Woods, 100 Anna Goode Way, Suffolk, VA 23434 on **May 3, 2013 at 2:00 p.m.** Please **RSVP** by calling 757-774-5191 by **April 24th**.

- Hook Law Center will be presenting a seminar on Estate Planning and Long-Term Care Planning to the Portsmouth Area Chapter of the Military Officers Association at the Hilton Garden Inn in Suffolk on **May 9, 2013** at **8:00 p.m.**
- Hook Law Center will be presenting a seminar on Estate and Long Term Care Planning at Sentara Virginia Beach General Hospital, 1060 First Colonial Road, Virginia Beach, VA 23454 on **May 20, 2013** at **6:30 p.m.**
- Hook Law Center will be speaking on Reducing Medicare Liens at the Virginia Trial Lawyers Association meeting in Virginia Beach on **May 21, 2013** at **3:00 p.m.**
- Hook Law Center will be presenting at the VSB Trusts and Estates Section - Virginia State Bar - 75th VSB Annual Meeting in Virginia Beach on **June 14, 2013**.

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