

Money Matters

Personal Financial Stewardship

Long-term Care Insurance

As our society grows older, more and more people face the probability of some day needing nursing care assistance. Therefore, many people are asking the question, “Should I consider purchasing long-term care insurance?” The purpose of long-term care insurance is to pay for the nursing care facility or other institution or a variety of home health care situations. This insurance can be of importance because, in most circumstances, Medicare and Medicaid do not pay for prolonged stays or needs of the elderly and disabled.

Suze Orman, the New York Times number-one best-selling author, gives an example of the potential benefit with long-term care insurance:



Let's say you are 55 and will need to be in a nursing home at age 84: The projected yearly cost of a nursing home 30 years from now, if you live in middle America (assuming an annual rate of inflation of 5 percent), would be \$148,176. Given that the average stay is 2.75 years, that would mean a total cost to you of about \$407,484. The total cost of a long-term care policy if started at age 55 and paid each year until you were 84 would be \$36,395. Look at the numbers: you will pay over 11 times more for the total cost of a long-term care stay than you did for the entire time you paid your premiums.

When you buy insurance, you buy it in the hope that you will never need it. The truth is that you are actually more likely to use your long-term care insurance policy than you are to use your fire or car insurance. One in 1,200 people will use his fire insurance, one in 248 people will use his car insurance, but one in four people will use his long-term care insurance.

The premiums you pay for long-term care insurance will depend on your age, health, and the choices you make, but the annual premiums can be in the thousands. If you choose to buy long-term care insurance, your policies should contain the following:

1. *A prior stay in the hospital should not be required.*
2. *The policy should be adjusted for inflation.*
3. *The policy should be guaranteed renewable for life.*
4. *Home care should be included.*
5. *The policy should allow for a waiver of premium if its owner is institutionalized.*

Insurance premiums will be much cheaper if you begin paying the premium in your 40's or 50's. Remember, it's buyer beware. It is to your advantage to compare several policies before you make your final choice.

As a Christian, “Commit to the Lord whatever you do, and your plans will succeed” (Proverbs 16:3). Insurance is a vehicle that helps us plan for the future. Through insurance we prevent the possibility of being a burden to others (2 Corinthians 11:9).

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