



VANTAGE
INSURANCE SOLUTIONS

Luke A. Kibler, Owner, Founder.

License #0E35140

Vantage Insurance Solutions

May 30th, 2018

Title:

Insurance options to protect your assets, and family, in retirement.



We live in a day and time when information travels around the world and back in no time flat. And it seems sometimes that misinformation travels even more speedily. Going online, you can research any subject, and in seconds, have an overwhelming number of opinions, commentary, and analytics from all over the globe. They will express opposing views, absurd excuses for logic, and dizzyingly complex paths of reasoning. I bring this up from the start because the subject we are going to dive into here is a classic source of incredible debate and misinformation. As I advise clients from all walks of life, I find it startling how misinformed many are, and how they have been programmed by clever marketing and popular culture to focus on and believe things that are untrue or irrelevant. I find that sometimes it isn't ignorance, but rather the illusion of knowledge, that is most people's biggest obstacle to moving in the right direction and making a significant change to thinking, habits, and financial future.

So I hope in this brief chapter to bring simplicity and clarity to a complex subject. I hope to help you cut through the noise of passionate sales people and self-proclaimed gurus and get some real down and dirty facts about your best options today for protecting your family and wealth using strategically designed and purchased insurance products. So lets dive right in!

Option #1 - The Art of Procrastination (AKA, The Ostrich Technique)

So this first option we are going talk about needs to be addressed the most. This "#1" option is not #1 because it is the most effective, most profitable, or overall best option to implement. It's because it's the most popular. Here's how it works: simply go about your life, work, and recreation

as if nothing is ever going to change or happen. Pretend you're going to live forever, never get sick or injured, and never going to have financial challenges. And...voila! You're done. That was easy, right? Enjoy that feeling...because that's the end of the "good" that comes from this bury-your-head-in-the-sand "strategy." This wildly popular option is wreaking havoc all throughout our society. Millions of people enter their final years of life unprepared and positioned for financial and emotional ruin. Stripped of their dignity, they are forced to upend their loved-one's lives and depend on them daily. While this first option is the most popular and the easiest (initially) to "implement", it is also the most costly and the most stressful in the end.

All too often I talk with people I meet in the community, or with new clients, that say something along the lines of, "Where were you 20 years ago?! I sure wish I had heard about these options then." It's true, it would have been much better to start your planning and buying of the right protection long ago. However, that's no reason to not start making wise choices right now! Let's be honest, we are creatures of habit aren't we? We resist change. We tend to do the easiest things and most pleasant things first, and the most difficult, (and often most important) things last...if we get to them at all. But time is our most valuable asset! Your life insurance or long term care insurance coverage will likely never be as cost-efficient, or even profitable, as it is right now. The time to make important things a priority and take action is now.

Often well-meaning people tell me they just plan to work until they die. Or they tell me their children will just take care of them and they don't need to worry about it. Here's some truth for you: You don't get to choose when you die. You don't get to choose how (except for one way that no one would recommend!). You don't really get to choose if your mind and body remains healthy and vibrant to the end. I'm going to ask you to stop and imagine something right now. I want you to imagine you've just got the news that through deteriorating health, or an injury, you suddenly find yourself unable to take care of some of your most basic needs. Your doctor just confirmed to you that your condition is permanent and progressive. Do you really *want* to ask your children quit their career, change how they might be raising their own children, and set aside just about all they are doing in life right now, to get you dressed every day, clean your messes, and bathe you? Do you really want to put major strain on your family's finances and life? You suddenly realize your savings will be exhausted within just a couple years if you pay for care elsewhere. You are stuck. How do you feel? You have no good options. The sinking feeling in your stomach tightens into a painful knot of deep sadness and regret as you realize how simple things could have been, had you planned ahead. Is this going to be your story? One of the biggest reasons for planning right now how you will finance the costs of long term care is to preserve your dignity, and that of the ones you love, so that you are able to spend your final days interacting with your family in the best ways possible. Listen. We all will one day grow old and die. It's

true. Why deny it? Why treat discussing it and planning for it like it's taboo or bad luck? This is one of those things that doesn't just go away if you ignore it. So let's talk options. Let's face it, deal with it, plan for it, and enjoy our lives like we are meant to!

So, here's the facts and statistics to help drive this point home; the numbers on the realities surrounding long term care are pretty daunting:

- According to recent stats¹, 7 out of every 10 people 65 and older will need long term care.
- According to one of the leading long term care insurance providers in the country, over 59% of long term care claims last more than one year, and of those, the average length of time care is needed is 4.2 years.
- The California median cost for home care is \$57,204 per year. The average cost of nursing home care is \$97,368 for a "semi-private room" and \$116,436 for a private room.²

Few circumstances in life will utterly drain your assets like paying for good long term care. As the old saying goes, the question isn't "can you afford to buy a policy or plan?", because you can't afford *not to* put a plan in effect. So what are your options? Well, you may be surprised to find that you have more than you realize. Here's a quick summary of the top options you should consider, along with some pros and cons to help you narrow down what makes the most sense for you

So, can we agree this first "strategy" of ostrich imitation is not the default decision you want to make? Good. Let's move on to the first *real* option.

Long Term Care Insurance - the pure approach

This is the most straightforward method for purchasing protection against the devastating costs of extended health care, or long term care. In a certain sense, it will almost always give you the highest benefit limit for your dollars in long term care benefits. You might also find this option to be more affordable than you think. It is based on providing a set "cost per day" benefit, for a certain number of years. For example, \$250 per day, for 36 months, or 3 years. Another key factor that affects your premiums is your choice of "elimination period." Think of it like a time deductible. You can typically choose from 30 days to 120 days, and sometimes more. During this time, you are responsible for your costs. Once the elimination period is met, your benefit payments kick in.

¹ 2017 U.S. Department of Health and Human Services 10/10/2017.

² Genworth cost of care survey, 2017

These plans pay based on what's called a "reimbursement basis", not in advance. In other words, even if your benefit limit adds up to \$8000 per month, if your actual costs for care are \$4700, that is what is reimbursed. Also, this means you may be required to pay the costs of care initially, and then will be sent reimbursement payment from the insurance company so your cost is zero. And don't worry, many carriers now work directly with your care providers, whether in-home or in a facility, and provide direct payment to them rather than you having to come out of pocket on the cost and wait (with nervous trepidation) to get paid back.

The primary downside that people see in this product is, if they die without needing care, then the money spent on this insurance is "lost". It has one purpose, and is purely protection, just like your auto insurance or home owner's insurance. One more thing worth noting - premiums are not guaranteed. While uncommon, rates can change, usually going up. This unknown can also be unsettling. Is it still a worthwhile purchase? Absolutely. The bottom line is, you are still able to receive back in coverage for care dramatically more than the dollars you paid in premium, especially if you end up needing care only a few years into buying the policy.

The Life Insurance - a relevant and powerful tool for all seasons of life

Life insurance might be one of the most misunderstood and under-utilized financial instruments among the middle class. I would venture to say that the major of people, even many of those in the financial industry that sell these products for a living, that don't understand it's uses beyond simple premature death protection and covering specific debts or final expenses. It's unfortunate, because life insurance, properly designed, can be used as a powerful tax-free wealth accumulation tool, wealth transfer tool, retirement tool, and much more. If your insurance agent doesn't do more than "quote" you prices on life insurance, I would recommend that you fire them and find someone that genuinely specializes in the uses of life insurance for wealth planning.

Getting back to our theme relating to planning and protecting for the final stages of life, you need to know that this day and age you have most life insurance carriers in California that offer a variety of "living benefits", also known as "ABRs", or Accelerated Benefit Riders. These riders allow you to use your death benefit, while still living, for a variety of health conditions and even injuries! Several carriers offer a life insurance product with one such rider typically called a "Chronic Illness Rider", that will allow you to use some of your death benefit to pay for long-term-care-type expenses. Most life insurance policies only allow you to use a percentage, typically 50%, but there are certain policies that allow up to even 100%. The benefit is triggered by the same thing as long term care insurance - loss of 2 ADLs, (activities of daily living) or mental illness. This can be a very cost-efficient way to cover your bases, and get your dollars multi-tasking, which I strongly believe to be a key principle in wealth accumulation and protection. It is also another reason why you would never want to allow a properly designed life insurance policy to lapse or simply end because the term is up. It could cost you and your family hundreds of thou-

sands of lost dollars in medical expenses that could have been paid out by your life insurance. Even if you have significant wealth, this is just smart planning and good math.

Some potential downsides would be that you may not get as great a benefit amount for LTC protection as a straight LTC policy would provide. Also, you need to remember that if you use some or most of your death benefit for long term care needs, this directly reduces the life insurance benefit paid to your beneficiaries. Lastly, it's noteworthy to point out that life insurance policies typically pay out benefits like this differently than long term care policies. Rather than the reimbursement model mentioned earlier, they use a method called "Indemnity." This means that you can receive the full amount of your benefit limit that you are eligible for, should you desire, regardless of your actual costs! This money can then be spent however you see fit - a nice Caribbean cruise, a trip to the French Riviera, that sports car you've always wanted, or a ticket on the next Mars expedition!

Long term care annuities, & hybrid whole life policies.

This is one of the newer options, and one of my personal favorites. These products are very flexible in how they can be funded, designed, and paid out. You can pay for a product like this with all the typical modes with after-tax money: monthly, quarterly, semi-annually, and annually. Also, as a qualified annuity version, you can fund it with a rollover, known as a 1035 exchange, of qualified funds from an IRA, 401k, or similar tax-deferred retirement accounts. This means, you could roll money straight out of an IRA or 401k and into one of these without creating a taxable event! So if you have funds wasting away in a retirement account somewhere, this might be a really good option for a portion of those funds. Another nice thing to note is that much like their life insurance based counterparts, they build cash value and earn guaranteed interest!

In short, these products can give you great peace of mind knowing that no matter what happens, you get to "have it all". Should you need long term care, like most people, the dollars spent on this product will buy far more in benefits than the dollars themselves would ever provide. Should you die suddenly, without needing care, the entire benefit pool pays out like normal life insurance to your beneficiaries. And, should you live longer and healthier than you expected, and need some of that money back out, the principle is liquid, guaranteed, and will also be credited with a typical 3-4% interest earnings annually. Pretty snazzy huh?

Again, like anything, there are trade-offs. The main downside here would be that you will get more long term care benefits for your dollars when you purchase pure long term care insurance, as opposed to a hybrid like this. Also, you would get more life insurance for your dollars if you purchase a pure life insurance product. However, I should also mention, these products also have the option to purchase a "Continuation of Benefits Rider" that will either double your payout, or continue to pay out up to maximum monthly plan benefits without limit!

There is much more that could be said on the subject as relates to plan design options, carrier comparisons, and the many unique tax benefits, but alas we are out of time. So hopefully you have some good food for thought, and it's my sincere desire that you can find renewed hope, vigor, and clarity to make up your mind to get this thing done like you have been meaning to for years. It will never be cheaper than it is today, and if you are already in your 50s, 60s, or older, chances are, you are also about as healthy as you will ever be. Waiting only costs you more, and potentially could cost you the ability to even have a choice, should an unexpected illness or injury render you uninsurable. Getting valuable protection like this can be much more affordable than you think, and you will rest much easier knowing it is in place - securing your future, protecting your loved ones and your assets, and helping you leave a legacy that gives you a deep sense of pride and joy.

Questions:

1. What stood out to you or impacted you the most in this chapter?
2. What plans and preparations have you already made?
3. Do you feel these plans are up to date and sufficient in every way? If not, list out what you think is missing right now.
4. What are your top questions you need to seek answers to right away?
5. What top priorities do you see need to be addressed and dealt with?
6. What immediate action steps do you intend to take? List out your top 3 at minimum.
7. What are your desires for:
 - 7.1. Long term care - where do you want to receive care? How do you want to pay for it?
Who do you want handling your affairs when you are no longer able?
 - 7.2. Funeral and final affairs. (And what are the associated costs?)
 - 7.3. Inheritance to children and/or grandchildren
 - 7.4. Charitable giving

About Luke Kibler: Luke Kibler is licensed in all lines of insurance products and services, and has held securities licenses series 6 and 63. He has completed 2 courses of the Certified Insurance Counselor (CIC) designation. With over 14 years of specialized training and experience in both

personal and commercial insurance, banking, and investing industries, Luke brings a uniquely relevant perspective to the process of financial planning and the usage of insurance products for building and protecting wealth.