Long-Term Care Insurance AND DIVORCE

A Conversation Worth Having

Murray A. Gordon and Brian I. Gordon, CLTC

Chances are, some of your clients are in the midst of a divorce. In fact, you often may be asked to help sort out their life and health insurance plans, which are common negotiating points in divorce agreements. But it's easy to overlook long-term care insurance (LTCi) when clients don't already have coverage.

You can perform an important service for your clients by raising the issue of long-term care planning with those who are divorcing or recently divorced. This is because while long-term care planning is important for everyone, it is even more important when someone is shifting from "couple" to "single" status.

For one thing, when spouses split, they typically lose their primary health care advocate, whether that translates to someone who provides hands-on care or the person who arranges for professional care. For another, following a divorce, both parties will have a smaller pool of assets to fund potential long-term care expenses.

For the higher-earning party, a long-term care event may impact the ability to meet spousal maintenance and child support commitments. For the lower-wage earner, it even can create greater financial hardships, which in turn can limit their care options.

Either way, the lack of long-term care planning may place a massive emotional and financial burden on the couple's children, regardless of age. Younger kids may find themselves deprived of their caregiver and/or their financial support. Adult children might be asked to share in the expense of care for a parent, whether they are ready or not.

Regardless of the situation, most couples would agree that minimizing the divorce's impact on the kids should take priority, short-term and long-term, which is among the many reasons why LTCi should be part of the divorce conversation.

Building LTCi into Divorce Agreements

The objective of a divorce agreement is to achieve an equitable division of assets and property. The higher-wage earner is expected to make concessions to provide for the lower-wage earner. Part of this agreement might include purchasing a LTCi policy for one's soon-to-be ex-spouse while dividing assets.

Asset-based LTCi plans have proved to be a very helpful tool here, thanks to their guaranteed rates and flexible payment options, which allow premiums to be paid off in a set time period.

For example, we were asked to suggest a LTCi policy for a 55-year-old woman as part of her divorce agreement. Both she and her husband were eager to separate their financial affairs. For this reason, a traditional pay-as-you-go LTCi policy did not hold much appeal to either party.

Working with the client's financial advisor, we recommended a life insurance policy with a LTCi rider and a 10-payment premium plan. Premiums would be paid in full after 10 years, at which time the ex-husband's responsibility would be fulfilled. Both parties signed off on the arrangement.

And when ample assets exist, a single-payment plan—in which premiums are paid in one lump sum—can be extremely useful in the distribution of assets.

> Long-term care planning takes on increasing importance as clients get older. But when clients in their 50s are getting divorced, this type of planning becomes even more essential.

Spousal Discounts During Divorce? Yes!

We have been in situations where both members of an amiably divorcing couple have decided to apply for long-term care insurance – jointly.

Interestingly, a couple engaged in divorce proceedings typically can take advantage of spousal discounts offered under traditional LTCi policies. These discounts typically range from 10 to 30 percent and, in our experience, remain in place even after the divorce is finalized. Each individual receives their own policy anyway, so coverage is not linked going forward.

Some asset-based life and LTCi policies also offer spousal discounts, which divorcing couples can take advantage of. However, while most carriers issue separate policies to each spouse, at least one carrier issues a joint policy with individual LTCi benefits.

Provided there is an insurable interest (say, the welfare of the children), this policy can remain in effect post-divorce. However, although some ex-couples might find it expedient to share a joint policy, it goes without saying that others might not be open to the idea.

LTCi, Divorce, and Women

Long-term care planning is especially important for women, from a number of statistical angles. Multiple studies over the years have shown that a woman's standard of living is likely to drop following a divorce, while a man's standard of living is more likely to increase after a divorce.

In addition, industry statistics indicate that women are more likely than men to require long-term care. Women live longer than men. Alzheimer's disease is the leading and most expensive medical diagnosis for LTCi claims, according to the American Association for Long-Term Care Insurance (AALTCI), and nearly two-thirds of Americans who have Alzheimer's are women.

What about Gray Divorce?

The number of "gray divorces"—divorces occurring among people ages 50 years and older—has doubled in the past 20 years, according to a recent Bowling Green State University study. At the same time, it goes without saying that health problems increase with age and so does the need for long-term care. And thanks to medical advances, Americans are living longer.

Interestingly, people are now buying LTCi in younger middle age. It used to be that most consumers purchased their policies when they reached their 70s. Now people are buying it when they are in their 50s. In 2014, 80 percent of new LTCi policies were purchased by people between the ages of 45 and 64, according to the AALTCI.

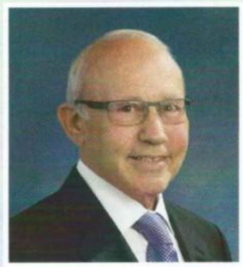
The bottom line is that long-term care planning takes on increasing importance as clients get older. But when clients in their 50s are getting divorced, this type of planning becomes even more essential.

Divorce is difficult, period. It is a difficult time for clients and their families at any age or stage of life. But it is also a time when clients are re-evaluating and planning for the future. As their agent or advisor, one of the best ways you can serve your clients proactively is to make LTCi part of your conversations. A little education and planning go a long way.

About the Authors

Brian I. Gordon, CLTC is president of MAGA Ltd., a long-term care planning specialist.

Brian may be contacted at brian.gordon@innfeedback.com.



Murray A. Gordon, CEO, founded MAGA in 1975.

Murray may be contacted at murray.gordon@innfeedback.com.