



www.magaltc.com | (800) 533-6242 | maga@magaltc.com



LTCI'S NEW NORMAL: Complexity, Choice and Continual Change

We recently had the pleasure of attending what is arguably the LTCI industry's most important annual gathering, the Intercompany Long-Term Care Insurance Conference. More than 1,000 LTCI professionals attended, and we took several key points away from the event.

We were reminded how the problem of long term care funding continues to grow in our country. Baby boomers are aging (and living longer)...the cost of care is rising...and our entitlements/social programs are under increased stress.

For the foreseeable future, it will remain up to individuals and families to forge their own LTC solutions, reaffirming the need for well-informed long term care planning.

LTCI insurers continue to develop innovative products in both the stand-alone and combo/hybrid markets. According to LIMRA, combos have surpassed traditional, stand-alone products; in 2016, combos generated \$2.6 billion in premiums versus \$228 million in stand-alone sales. In fact, more carriers are now offering combos than traditional plans. Within each segment, there's a wide range of options.

As a result, financial planners have more complex choices to offer clients. While choice is a good thing, understanding the long-term implications of such varied plans requires expertise. As veteran LTC planning specialists and long-time NAPFA Resource Partners, it's our mission—and pleasure—to help in this regard. Please call or email if we can help.

Speaking of conferences, if you'll be attending the NAPFA Spring Conference in Phoenix this May, please be sure to stop by our booth.

Catch an Upcoming CE Webinar

We've already held our first 2018 CFP® Approved CE webinars for NAPFA members. By popular demand, we'll be holding another set in June.

In 2018, we are offering two CE webinar topics. "LTC Planning: How to Choose the Best Funding Option for Clients" (which covers both traditional and combo/hybrid LTCI plans) will be held next on Tuesday, June 5 at 11am CST. "LTC Combo Plans: An in-Depth Look at Asset-Based LTCI Policies," will be held on Thursday, June 7, 11am CST. Each webinar is worth one CE credit.

If you've already taken one class, this is your chance to take the other. Or, attend both. Just call us or email us to reserve your space.

The State of LTCI: Myths, Facts and the *Wall Street Journal* Article

By now, you've probably read Leslie Scism's *Wall Street Journal* article, "[Millions Bought Insurance to Cover Retirement Health Costs. Now They Face an Awful Choice.](#)" The "awful choice" in question is Ms. Scism's assertion that today, LTCI policyholders must either 1) accept large premium increases or 2) drop their coverage.

We found this gloom-and-doom argument-that there is no other reality and no other options-to be misleading and incomplete. Most disturbingly, it invites consumers to throw up their hands in despair, rather than encourage thoughtful long term care planning.

On the plus side, this opinion piece sparked an important conversation, eliciting a range of responses. Here is our rebuttal to some of the key points in the WSJ editorial.

WSJ: *Today, LTCI insureds have two bitter choices: pay stiff premium increases or forfeit coverage.*

Fact: Those facing increases (not everyone is) have multiple solutions available to them. Most LTCI insureds can keep their policies in force and premiums down simply by modifying their benefits-solutions known as "landing spots." For example, we've recommended to clients that they reduce their inflation rider benefit-say, from 5% to 3%-or shorten their benefit period, resulting in little or no premium change. Most clients are receptive and it's worked very well.

WSJ: *LTCI carriers made a huge pricing mistake and now their insureds will pay for it forever in the form of steep rate increases.*

Fact: It's true that when actuaries first priced LTCI 40+ years ago, they made some mistaken assumptions-not uncommon with brand new insurance products. They assumed more insureds would drop their policies than actually did so, and they did not foresee a decade of historically low interest rates. Combined with larger-than-anticipated claims that lasted longer than expected, it resulted in "a perfect storm." As a result, older LTCI policies have seen larger rate increases as more claims are paid on older policies.

However, in recent years, carriers have corrected their pricing. Consider this: rate assumptions made in 2014 were based on 16 times as much actuarial experience as those made in 2000. Companies are more informed. We do prime clients purchasing traditional LTCI today to expect some modest rate increases, just like their car and health insurance.

WSJ: *When an insured's LTCI premiums increase, they're getting a raw deal.*

Fact: Actually, a reason some insureds' LTCI premiums have increased is because they got way too good a deal in the first place. In some cases, they received incredibly valuable protection at what we now know was unsustainable premiums. Many older LTCI policies offered such generous benefits-for example, lifetime coverage-that they cannot be purchased today.

WSJ: *Since hybrid/combo LTCI products are costly, they aren't worth consideration.*

Fact: To dismiss the entire spectrum of hybrid/combo LTCI policies wholesale is disingenuous. (In WSJ's 50+ paragraph article, only a single paragraph addressed hybrid policies, which now are as popular as traditional LTCI policies.) Yes, premiums are higher-because hybrid products by their nature include additional benefits, such as life insurance or an annuity. However, they can also offer guaranteed premiums and peace of mind-for some clients they make excellent sense.

WSJ: *With such limited choices, why bother with long term care planning at all?*

Fact: Americans face a proven likelihood of needing long term care at some point, and Medicaid is a solution intended for only the poorest individuals. To forsake long term care planning altogether may be shortsighted, particularly for families with enough assets to engage a professional financial planner. Between traditional LTCI policies, hybrids and the option of self-funding or partially self-funding one's long term care risk, there are numerous long term care funding solutions available.

If you'd like to explore this topic further, we suggest reading the recent Forbes article, "[Why the WSJ Is Wrong about Long-Term Care Planning](#)," by Jamie Hopkins, the Co-Director of the American College's New York Life Center for Retirement Income and an Associate Professor of Taxation at the American College. And if you'd like to discuss this further with us, please don't hesitate to get in touch.

This article, written by our Brian Gordon, also appeared in the April 6, 2018 LTC Bullet published by the Center for Long-Term Care Reform.

MAGA at Your Service

Service is so essential to the MAGA brand, we made it the focus of our latest print ad. You may have seen it in the NAPFA Advisor, but you can also [see it here](#).

While we offer Second Opinion Services to NAPFA members and their clients on a complimentary basis, please know we also offer the following à la carte services to others on a flat fee basis:

- **Policy Reviews & Benefit Explanations** — Just as we encourage our clients to review their LTCI policies periodically with us, we're happy to review policies written elsewhere. If the policy is an "oldie," it's important to make sure the benefits are in line with rising care costs.
- **Claims Assistance** — Claim time is highly stressful for families, and dealing with carriers can be overwhelming. We welcome the opportunity to help clients file their LTCI claims. (Insureds first need to complete a HIPAA Release Form-if you need one, contact us).
- **Broker of Record** — Many people who approach us for Second Opinion Services like those above have lost track of their original LTCI agent. They need a new broker of record; MAGA can ably fill this need.
- **Consulting Services** — Perhaps a client is getting divorced and their attorney has recommended an LTCI policy be part of the agreement. Or perhaps a high net worth client wants to self-insure their long term care liability, but doesn't know how. Ask us; we can help.
- **Professional Referrals** — In the course of our 43 years in business, we've built a trustworthy network of elder law attorneys, geriatric care managers and related professionals. Feel free to contact us if and when you need a reliable referral.

Over the years, we have recommended our clients in search of financial advisors to NAPFA members in their area. By the same token, we very much appreciate when you recommend us to your clients for LTC planning, too. Thank you.



We're Here to Help

MAGA has been a NAPFA Resource Partner for more than a decade, and as always, we're here to serve.

Left - Murray A. Gordon (murray@magaltc.com)

Center - Peter R. Florek, CLTC (peter@magaltc.com)

Right - Brian I. Gordon, CLTC (brian@magaltc.com)

— Praise for MAGA —

"MAGA, Ltd. is an important resource that helps me meet the needs of my clients. I value their expertise regarding long term care insurance, their access to multiple insurers, and their commitment to do what's best for the client. I appreciate their professionalism, excellent response time, and follow-through.

My professional relationship with MAGA not only helps me better serve my clients but contributes to my success as a financial planner."

- Linda Y. Leitz, CFP, EA
President
Peace of Mind Financial Planning, Inc.

SERVING

- Consumers
- Employers & Professional Groups
- Financial Advisors, CPAs and Attorneys

**Ask us about
traditional LTCI &
asset based/hybrid plans**

**We work with
highly-rated insurance carriers
in order to serve our
clients' best interests.**

**Licensed Nationally
in California DBA
MAGA Insurance Services
Lic. # 0E81056**

www.magaltc.com | [\(800\) 533-6242](tel:(800)533-6242) | maga@magaltc.com