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**MAGA**  
Long Term Care Planning



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

Dear Clients, Colleagues, and Friends,

The subject of Long Term Care Insurance has been popping up in the editorials lately, specifically those of the *Wall Street Journal* and other financial publications. A number of you have asked for our take on these, and we're happy to share our thoughts with you.



But before we do, let's address some other industry news.

According to a new industry study, LTCI claim payments continue to rise. In 2017, traditional LTCI providers alone paid \$9.2 billion in claims—a 6.4% increase over 2016. The number of Americans collecting LTCI benefits increased by 5.4% total.

This tracks with recently-reported Medicaid spending. According to the Centers for Medicare & Medicaid Services' (CMS) National Health Care Spending report for 2016, Medicaid's long term care costs totaled [\\$162.7 billion](#) in 2016, reaching an all-time high. Compare that to the [\\$109 billion](#) Medicaid spent on long term care in 2007.

Medicaid long term care costs—primarily nursing facilities and CCRCs—have increased by more than 50% in less than a decade!

These numbers indicate that the need for long term care protection is real. And that it's growing. The [CMS projects](#) that, as the U.S. population ages, Medicaid long term care will continue to grow at an average of 5.2% per year until 2024.

When reading any debate about the value of LTC planning and LTCI, this fundamental reality is something to keep in mind.

Sincerely,

Brian I. Gordon, CLTC  
President  
[brian@magaltc.com](mailto:brian@magaltc.com)

Peter R. Florek, CLTC  
Vice President  
[peter@magaltc.com](mailto:peter@magaltc.com)

# 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 nearly 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.

# MAGA in the News

## See Our New Print Ad

Enduring client service is so essential to the MAGA brand, we made it the focus of our latest print ad. If you're a NAPFA member, you may have already seen the ad in the January issue of the *NAPFA Advisor*. But you can also preview it here—[see attached](#).

Keep in mind, it's not uncommon for our clients to own their LTCI policies for several decades before they file a claim. When they do, we're there to ease them through the process. We advocate fiercely for our clients at claim time—one reason they've collected millions in LTCI benefits during the 43 year period we've been in business.

As always, we welcome the opportunity to partner with you to address your clients' long term care planning needs—and we guarantee the same continuous, personalized service. If we can help, please call us, email us, or complete our [quick online quote form](#).



## Quoted by Terry Savage

It's no secret that nationally-recognized finance expert Terry Savage has turned to MAGA for more than 20 years in order to keep her readers informed on LTCI issues.

In her recent article, "Long-Term Care Insurance—The Latest," Terry asked Brian to weigh in on the advantages of hybrid/combo LTCI plans—even for seniors—and provide an actual case study of a OneAmerica Asset-Care policy. You can read it [here](#).

## 2018 CE Webinars Underway

Our 2018 CFP® Approved CE webinars are underway. We recently held our open webinar for NAPFA members. (If you're a NAPFA member, you can find the recording in your online member library.) We will be holding similar webinars for other professional associations as well, but if you'd like to host a webinar for your firm or study group, please don't hesitate to contact us (the sooner the better—our calendar does fill up).

This year we are offering two CE webinar topics: "LTC Planning: How to Choose the Best Funding Option for Clients" (which covers both traditional and hybrid/combo LTCI plans) and "LTC Combo Plans: An in-Depth Look at Asset-Based LTCI Policies," which we developed in response to advisor requests. Take your pick!

# We're Here to Help

Please contact us with questions, comments, or even just to say hello.



**Murray A. Gordon**  
**CEO and Founder**  
*42 years of experience in a  
43 year old industry.  
2015 Recipient of Lifetime  
Achievement Award in  
Entrepreneurial Excellence*  
[murray@magaltc.com](mailto:murray@magaltc.com)



**Brian I. Gordon, CLTC**  
**President**  
*Ranked #5  
Asset-based Producer\*  
Ranked Top 15  
Traditional LTCI Producer\**  
[brian@magaltc.com](mailto:brian@magaltc.com)



**Peter R. Florek, CLTC**  
**Vice President**  
*Ranked #2  
Asset-based Producer\*  
Ranked Top 30  
Traditional LTCI Producer\**  
[peter@magaltc.com](mailto:peter@magaltc.com)

\* Source: AALTCI 2015-2016 Sourcebook

## — 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.

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