

Long Term Care - Mommy in Law and Me

A few weeks ago I got word just like the rest of the market that John Hancock was leaving the Long Term Care insurance market. Another one down. MetLife left a few years back, effectively the adjustment of their rating to B+ moved Genworth out of the market for the time being, and for quite a while now UNUM has suspended sales of their group Long Term Care products. It begs the question, how does a family plan for this risk now?

There is no easy answer that the market offers today. It is a combination of products and strategies. Some families will be served by hybrid products that combine Life Insurance and Long Term Care, others will be buoyed by annuity based strategies and others will rely on family. Below is case is a case study about one family and one creative idea for handling an immediate Long Term Care issue, what does a family do when there is a surviving parent, but there is still a need to care for children.

Mike and Jamie are 44, they met and got married in their 30s after they both established their careers. He is Patent Attorney and she is a Contract Grant Writer for companies applying for USAID grants. They live in Rockville, MD and have twins, Chris and Christy who are 8 years old. Jamie's mother died when she was in her 20s. Mike and Jamie had to put Jamie's father in an Assisted Living Facility when their twins turned 4 due to dementia after a series of small strokes. He stayed there 2 years before he passed away from fatal stroke in his sleep. Mike's father, Andy, passed away in January from Leukemia at age 68, Mike mother Carrie lives locally, is 65 and retired in June from the Montgomery County Schools. She is an active runner, in great health and lives off her pension and the life insurance proceeds from Mike's father's policy.

Jamie and Carrie have always been very close, they decided to run the Marine Corps Marathon together to raise money for Leukemia research in June after Carrie retired. On a long run one Sunday morning they ended up in a conversation about Jamie's dad. Carrie shared that she was concerned about being a burden on Jamie and Mike if she were ever to need care of some kind. She and Andy planned to take care of planning for assisted living, if it was needed once she retired, but his illness changed everything. She also said she could not find a policy for strictly assisted living that made any sense based on her income.

Mike and Jamie were scheduled to meet with a Financial Planner to review some college planning for Chris and Christy and to review some life insurance. Jamie brought up the conversation with Carrie, wondering if anything could be done. The Planner suggested a novel idea he had seen with other couples who had obligations to their children and their parents at the same time. He suggested that Mike purchase a Second to Die Life Insurance Policy for \$500,000 on Jamie and Carrie, with a Long Term Care Rider for both of them. Because they were both in good health the underwriting would not be an issue, and because the coverage was on both of them the premium was more manageable with their average age rather than just Carrie's more senior age. The LTC Rider allows Mike as owner of the policy to access up to \$250,000 of cash indemnity benefit he can access on a monthly basis to pay for his mother's care if it is needed, without having to turn in receipts. The remaining balance, if any, would be received as death benefit when his mother passes; the portion on Jamie could be used to shut down her business and plan for daycare for Chris and Christy.

Jamie and Carrie both finished the marathon and together were the top fundraisers on their team. Mike and the children met them at the finish line, and after a few years with a lot of ups and downs they shared a hug knowing that at least part of the future was secure.

The scenario above is a simplified version of a complex problem. However, the point of the story is that approaching a problem from a different angle may yield a novel solution. Just because it appears that the market does not want to be in the Long Term Care business anymore, it does not mean that there are not great solutions. It just means that the providers of the solution must be more creative, listen more closely to their clients and approach some problems from the flank rather than a head on assault.

