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LTC News

LTCI Mini-Tip



Start with establishing the need for LTCI and how it leverages pennies for dollars of coverage. Presenting quotes too early in your approach may cause sticker shock that can cause an irreversible objection from even your best clients.

3 Step Approach for Long Term Care *By Janel Mertel*

Are you confused with selling long-term care insurance (LTCI), or are you looking for a simpler way? Many agents are puzzled and overwhelmed with the various ways to present LTCI and get stuck in a rut trying to decipher which way is best.

Obviously, the optimal way is the one that works with your personality and comfort level. There is an opportunity for every agent to sell LTCI, and it is built on three essential elements:

- Establishing the need
- Establishing the consequence
- Establishing what will and will not pay

There are three main reasons that people buy the things they do. In their mind, they need to figure out; do they need it, do they like it, and can they afford it? Clients or prospects, in any sales situation, have to be in agreement with all three questions. If there is not a 100 percent agreement, then there is no sale. A professional must build urgency, and to do that, you will need a process.

This process starts with the three main elements that were developed with the help of The Corporation for Long Term Care Certification, Inc. (CLTC) and insurance companies' training material.

Step 1: Establish the Need — Establish, beyond a reasonable doubt, that living a long life will substantially increase the need for LTCI.

Step 2: Establish the Consequence — Establish, beyond a reasonable doubt, that providing care will have serious consequences for the clients' families and finances.

Step 3: Establish What Will and Will Not Pay — Establish, beyond a reasonable doubt, that nothing will pay for the plan of care other than assets and income, otherwise allocated for retirement, thus placing clients' best-thought retirement plans in jeopardy.

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Long-Term Care Mistakes

By GLENN RUFFENACH Staff Reporter of THE WALL STREET JOURNAL October 31, 2004

Thinking about buying long-term care insurance? Here's a look at some of the biggest mistakes that consumers make.

Judging by our mail, more readers are thinking about the possible need for long-term care and how to pay for it. Whatever your thoughts about long-term care insurance -- and most people can be forgiven for regarding the product as expensive and complicated -- sales of such policies have been increasing at least 10% a year.

With that in mind, we asked Amy Pollock, an insurance broker based in Atlanta who has been selling long-term care insurance for almost 10 years, to identify some of the errors people make when buying a policy. We'll look at the first and biggest misstep in this week's column.

Long-term care insurance, as the name suggests, can help pay for extended care, whether in your home, an assisted-living center, a hospice facility or a nursing home. Individuals can buy policies

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These three steps will solidify a foundation for the sale of LTCI. Before we go into each step further, it is important to remember that they are sequential and should not be completed out of order.

Again, the first step is to establish the need for LTC. The prospect must realize that he/she will live a long life. The old way of selling LTCI was to use numbers and statistics to scare people and use statements that could create an argumentative environment. In this step, you need to create a discussion. It is no longer, "you may live a long life," but "you will live a long life". Reasonable people believe that when they live a long life their chances of needing care will increase. The risk of chronic illness will increase with age, which leads to the loss of the activities of daily living: bathing, eating, dressing, toileting, continence and transferring. Once your client has realized they will live a long life, then you can continue to step two.

Step two is realizing the consequence. Establishing a plan for LTC is not about the client; it is about his / her family. The old way of thinking is that LTCI was sold to individuals, when it is actually sold to the entire family. LTCI is very similar to life insurance when it comes to the reason people buy it. A prospect buys LTCI because he / she is concerned and understands that there are financial and emotional consequences to his / her family if he / she is not protected. It allows his / her family to take care of him / her longer and better. Just as before, the client has to realize and agree to this step before you can proceed.

The final step is protecting the client's plan with LTCI. Just as before, it needs to be established that nothing will pay for care except the client's assets and income, placing his / her retirement in risk. On this step, there needs to be a solid foundation to educate the client. Over the years, your client has most likely put together a portfolio designed to accomplish his / her retirement goals. When the client retires and there is a need for LTC, that will be the greatest risk he / she faces, not dying. Most financial planners do not or have not included LTC in the overall picture. The client needs to realize that this will lead to an invasion of his / her principal.

These three steps come together for a process of selling LTCI. Without the agreement from each of these steps, the sale of LTCI will be difficult. The opportunity to sell LTCI is there for you; as long as you follow these three simple steps, the process will be eased.

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(continued from "Long Term Care Mistakes")

that, among other features, pay a flat amount each day (say, \$100 or \$150) and cover benefit periods ranging typically from two years to a lifetime. Optional riders to policies can automatically increase daily benefits to keep pace with inflation.

The Right Question

Ms. Pollock, who works with LTC Financial Partners (www.ltcfp.com), a long-term care brokerage firm based in Kirkland, Wash., says buyers often err in choosing lifetime benefits coupled with small daily payouts.

"Most people don't understand what 'lifetime' means," Ms. Pollock says. "The question is not: How long will you live? The question is: How long will you need care?"

Coming up with an answer could be easier than you think. First, if you're in good health, and if a parent or grandparent hasn't needed long-term care for more than six years, chances are good you won't need "lifetime" benefits. Second, the insurance industry (not surprisingly) has some good data on the subject. For instance, people who reach their mid-60s before requiring long-term care, Ms. Pollock says, will likely spend a total of four to six years receiving care at home, in assisted living and in a nursing home. For people who reach their mid-70s before requiring care, the total drops to two to four years.

A 'Short and Fat' Policy

The upshot: Many prospective buyers of long-term care insurance might want to consider a policy that provides a large daily benefit for four or five years -- a policy that's "short and fat," as Ms. Pollock describes it -- rather than a policy that provides a smaller daily benefit for a lifetime, or one that's "long and thin."

Let's take a 55-year-old man (the premium would be the same for a woman) in good health. One policy offers a benefit of \$160 a day for four years. A second policy offers a benefit of \$100 a day for a lifetime. Both have a compound inflation rider that increases the daily benefit by 5%. The annual premium for the four-year policy is actually a bit higher: \$1,730 vs. \$1,570.

The big difference comes 30 years down the road, at age 85, when actuarial tables indicate our policyholder is more likely to need long-term care. At that point, the \$160 benefit -- because of the inflation protection -- will be worth \$659 a day, and the \$100 benefit will be worth \$412 a day.

With a semi-private room in a nursing home in the U.S. already costing an average of \$169 a day, according to a recent study by MetLife, the "short and fat" policy offers more protection down the road.

"People who shop for long-term care insurance tend to [think] only in the present -- when that shortfall of \$60 a day doesn't look so bad," Ms. Pollock says. "They forget that they aren't filing a claim today. The future cost of care and the future value of money make that spread [between policies] \$247 a day. That's a pretty big hit."