



LTC News

Underwriting Corner: Osteoporosis

By Debbie Kocsis

“Although best known as a disease of elderly women, osteoporosis also occurs in men.”

Osteoporosis is a disease characterized by decreased bone density caused by mineral loss. Bones affected by osteoporosis become thin and brittle, and may be easily fractured. The decreased bone density can cause fractures most commonly found in the spine, hip, and wrist.

Osteoporosis usually develops at older ages or after menopause and can be traced back to inadequate calcium intake and post-menopausal estrogen deficiency.

Although best known as a disease of elderly women, osteoporosis also occurs in men.

Osteoporosis, as with most medical conditions, is not necessarily uninsurable. To determine the insurability, there are questions that need to be asked of an applicant. Those questions are:

1. Are there any limitations with performing the ADLs or IADLs?
2. Are narcotics such as Demerol, morphine, Percodan or Talwin

used to control pain?

3. Have there been any falls or fractures?
4. Are assistive devices such as a wheelchair, walker, quad cane or crutches currently being used?

This information will enable us to determine the insurability of your client. Providing the most accurate information regarding an applicant's health condition will reduce the number of declinations for agents.

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RAND: Retirees With LTC Policies, Advisors Happier

Owning long-term care insurance and getting help from professional financial advisors may have a dramatic effect on older U.S. residents' satisfaction with retirement, according to a new analysis of survey data from the University of Michigan.

The analysis, conducted by RAND, Santa Monica, Calif., and sponsored by a unit of MetLife Inc., New York, reveals that 71% of the retirees who have private LTC insurance are satisfied with retirement, while only 57% of the retirees without LTC insurance are satisfied.

Similarly, 71% of the retirees who attend retirement planning meetings and 71% who say they have professional financial advisors are satisfied. Only 59% of the retirees who lack advisors and 55% who avoid planning meetings are satisfied.

Although retirees with higher incomes are somewhat more likely to have financial advisors

and attend planning meetings, simply attending planning meetings appears to increase satisfaction levels by about 11% to 13% at any income level, RAND researchers write.

"For those in the \$15,000 to \$30,000 bracket, for example, that gain (to 67.9%) is enough to make them more satisfied with retirement than someone in the next higher income category who did not attend such a meeting (at 62.8%)," RAND researchers report. "The results for having purchased long-term care insurance and having a financial advisor hold up similarly."

About 10% of the survey respondents had LTC insurance, 14% had financial advisors, and 25% attended retirement planning meetings, the researchers write.

So, which comes first: the satisfaction or the coverage and the professional help?

The LTC coverage and the profes-

sional advice, according to Buddy Daniel, a Winston-Salem, NC., LTC insurance consultant.

When Daniel encounters older people who buy LTC coverage, attending planning meetings and hire advisors, "I don't see that they're any happier than anybody else," Daniel says.

Instead, purchasing products such as LTC insurance probably increases consumers' level of satisfaction, Daniels says.

"I think it gives them more of a secure feeling," Daniels says. "More peace of mind."

The RAND researchers based their analysis on data from the 2000 Health and Retirement Study survey, which reached 20,000 U.S. residents over age 50, and related surveys by researchers at the University of Michigan.

Source: www.nationalunderwriter.com

“...71% of the retirees who have private LTC insurance are satisfied with retirement...”

Alternative Funding Sources for Long-Term Care Insurance: Reverse Mortgages

By David Miller

Since the majority of older Americans own their homes and have paid off their mortgages, many people find themselves "cash poor" and "house rich." Because of these characteristics, a certain amount of activity is occurring in the marketplace to help people tap the value of the home without giving it up as long as they live in it. Converting the equity of the home into cash can be accomplished either through sale plans or loan plans. The sale plans, which involve selling the home then leasing it back as long as the seller is able to live in it, are not popular for tax reasons. It's possible that the IRS will not view the plan as a bona fide sale if the house is not sold at fair market price, or if the buyer is receiving favorable treatment, or if the buyer does not assume full ownership until the death of the seller. If the IRS does not view the plan as a bona fide sale, the one-time capital gains exclusion is not available to the seller. In other words, people sometimes try to give their kids a bargain, and the IRS doesn't look favorably at special deals for children or any other buyers.

Home equity conversion loans in the form of reverse mortgages are available, in which no repayment of the loan is generally required until the borrower dies, sells the home, or permanently moves. Started by the federal government in 1988 to help older Americans on fixed incomes, the program allows homeowners over 62 to "cash in" on their home equity. You must be a single-family homeowner, which can include a condominium or townhouse as long as the development meets FHA guidelines. Others who are not on a fixed income also see the benefits of "cashing in" on the equity in their home for additional investments. There are no income qualifications and limited credit qualifications, because unlike an equity loan from a bank, a reverse mortgage requires no monthly payments.

The monies available to the homeowner are tax free and don't count as income for Social Security eligibility purposes. The balance due grows as monies are disbursed to the homeowner. The funds can be disbursed in several ways. Cash available can be taken in monthly payments over a period of years, a lifetime, or as a line of credit you can draw down as needed over a number of years. You can even receive a combination of regular monthly payments and a line of credit. You still own the home. It can be sold at any time (for example, if you decide to move) and when sold, any balance due on the reverse mortgage is paid and the remaining equity goes to you or in the case of your death, to your estate. Equity remaining would depend on how long you remain in the home and the value of the home at the time of sale.

The reverse mortgage market is poised to grow substantially as the baby boomers move into their retirement years. According to a November 9, 1995, article in *USA Today*, "The older you are and the more valuable your home, the more you can borrow." Each program has a "lending limit" and the amount available to the client depends on age, and in some programs, on the number of borrowers (but all have to be over 62). It also depends on the value of the home and the interest rate used to calculate that amount. For example, in the FHA program, a 74-year-old in a \$180,000 home could gain access to \$98,820, which could be set up as monthly income or as a line of credit. FannieMae offers two options—that same borrower could get \$77,760 in the equity share program and \$61,576 in the non-equity share. The "equity share" provides more money on the front end, but there is a penalty on the back end. The "non-equity share" provides less money on the front end and no penalty payment on the back end. FannieMae is utilized more frequently by older, single people than by married people.

If you take the money in monthly payments but live so long that the payments exceed the home's value, you or your heirs do not have to pay back any amount larger than the worth of your home. After you die, your children (or other heirs) can keep the home if they like—they just have to pay the balance in full. They can pay off the reverse mortgage using their own money or they can sell your house. If they sell your house for more than is owed, they can keep the difference.

Most of the cash from the various plans has been used for home repairs, to weatherize homes, to make homes accessible for the handicapped, for basic living expenses, and some of the money is being used to fund long-term care services. Rather than pay for the long-term care services directly, much more "mileage" can be obtained from the money by purchasing long-term care insurance if you are insurable. You can purchase a long-term care policy outright by paying a monthly, semi-annual or annual premium, or a lump-sum obtained from a reverse mortgage can be used to purchase an annuity, which can then be set up to pay the LTC premiums for the rest of the insured's life. Or, the lump sum can be used to purchase a life insurance or annuity long-term care policy that pays LTC expenses with a guaranteed premium.

In summary, one funding method for long-term care does not fit all. Since this is America, it's safe to say that we will continue to see much product innovation and variety throughout this century as our country struggles to find a way to pay for long-term care with private funding as much as possible and prevent unprecedented taxation—the inevitable result if the baby boomers wind up on any kind of public assistance for long-term care.

Did you know...?

26.6% of the adult population has provided care for a chronically ill, disabled or aged family member or friend during the past year. Based on current census data, that translates into more than 54 million people.

Men now make up 44% of the caregiving population.

Source: National Family Caregivers Association (NFCA) Random Sample Survey of 1000 Adults, Summer 2000

"...many people find themselves 'cash poor' and 'house rich'"

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