Avoid Mistakes in Buying Long-Term Care Insurance

Provided to you by:

Scott Etzel

CRPC®

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Written by Financial Educators

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Insurance License # 11201116

insurance contracts, and there is a surrender charge imposed generally during the first 5 to 7 years that you own the annuity contract. Indexed annuities are insurance contracts that, depending on the contract, may offer a guaranteed annual interest rate and some participation growth, if any, of a stock market index. Such contracts have substantial variation in terms, costs of guarantees, and features, and may cap participation or returns in significant ways. Investors are cautioned to carefully review an indexed annuity for its features, costs, risks, and how the variables are calculated. Any guarantees offered are backed by the financial strength of the insurance company. Surrender charges apply if not held to the end of the term. Withdrawals are taxed as ordinary income and, if taken prior to 59 Â½, a 10% federal tax penalty. Neither Asset Allocation nor Diversification guarantees a profit or protects against a loss in a declining market. They are methods used to help manage investment risk. Fixed Annuities are long-term insurance contracts, and there is a surrender charge imposed generally during the first 5 to 7 years that you own the annuity contract. Withdrawals prior to age 59-1/2 may result in a 10% IRS tax penalty, in addition to any ordinary income tax. Any guarantees of the annuity are backed by the financial strength of the underlying insurance company. Risk tolerance is an investor's general ability to withstand the risk inherent in investing. The risk tolerance questionnaire is designed to determine your risk tolerance and is judged based on three factors: time horizon, long-term goals and expectations, and short-term risk attitudes. The adviser uses their own experience and subjective evaluation of your answers to help determine your risk tolerance. There is no guarantee that the risk assessment questionnaire will accurately assess your tolerance to risk. In addition, although the advisor may have directly or indirectly used the results of this questionnaire to determine a suggested asset allocation, there is no guarantee that the asset mix appropriately reflects your ability to withstand investment risk. Neither Asset Allocation nor Diversification guarantee a profit or protect against a loss in a declining market. They are methods used to help manage investment risk Etzel Financial Resources, Inc. does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance. Asset protection plans should be developed and implemented well before problems arise. Due to the fraudulent transfer laws, asset transfers that occur close in proximity to the filing of a lawsuit or bankruptcy can be interpreted by the court as a fraudulent transfer. Proper structuring of these assets is imperative. Please seek proper legal and tax advice prior to engaging in re-titling/structuring of any assets. Please note that laws are subject to change and can have an impact on your asset protection strategy. Pursuant to requirements imposed by the Internal Revenue Service, any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for purposes of avoiding penalties imposed under the United States Internal Revenue Code or promoting, marketing, or recommending any tax-related matter to another person. Please contact us if you wish to have formal written advice on this matter. Not associated with or endorsed by the Social Security Administration, Medicare or any other government agency. Maximizing your Social Security Benefits assumes foreknowledge of your date of death. If as an example you wait to claim a higher monthly benefit amount but predecease your average life expectancy, it would have been better to claim your benefits at an earlier age with reduced benefits.

Do You Need Long-Term Care Insurance?

Maybe-Maybe not.

Statistics indicate that over half of all people over age 65 will require long-term care. In fact, the most current research statistics are below.[1]

- More than half of people turning 65 who will have a long-term care need during their lifetimes. The average duration of nursing-home stay for men is 11 months. The average duration of nursing-home stay for women is 17 months.
- Females face a 58% probability of having at least one nursing home stay, compared to 47% for males.
- The probability of needing more than one year in a nursing home: men 22%, women 36%.

With such a great risk, doesn't everyone need insurance? After all, the cost of long-term care can run $9,277 or more monthly in some locations.[2] The truth is, you may or may not need to buy insurance.

It comes down to the various income and asset resources you have available to you. To illustrate this, let's take a look at the varying needs of three general groups:

- **Low Resources**
- **High Resources**
- **Medium Resources**

These groups are organized according to their income and asset resources. When reviewing this information, please keep in mind that nursing home costs and Medicaid qualification rules can vary widely from location to location.[3] As everyone's situation is different, the need for insurance can also vary among people within the same resource group.

Low Resources: This group has countable assets that are at or below the spend down limits imposed by their state Medicaid rules. Additionally, this group typically has monthly income below the average nursing home costs for the state where they live. In many cases, people that fall within this group will qualify for Medicaid without having to spend down their assets.

Countable assets include such things as cash, stocks, bonds, mutual funds, cash value insurance policies, CDs, boats, jewelry, and real estate investments.[4] In most states, you will only qualify for Medicaid if you have no more than $2,000 in countable assets.[5] Spouses of a nursing home resident who still live in the family home are allowed to retain countable assets up to $162,660 for 2026, depending on the Medicaid rules in their state.[6] The Medicaid rules will allow the live-at-home spouse (also referred to as the "community spouse") to retain the family residence, a vehicle, and a modest amount of other assets for their support. The Medicaid rules also establish a monthly support allowance to help community spouses meet their living needs, and this allowance is up to $4,066 per month for 2026 depending on state law.[7]

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[1] Urban Institute Long-Term Services and Supports for Older Americans 2022 https://www.urban.org/research/publication/long-term-services-and-supports-older-americans visited 12/10/25
[2] Genworth Long Term Care Costs - Cost of Care Survey 2024 Semi-private room https://www.carescout.com/cost-of-care visited 12/8/25
[3] Medicaid eligibility varies by state https://www.medicaid.gov/state-overviewsl visited 12/8/25
[4] SSI and Spousal Impoverishment Standards for 2026 https://www.medicaid.gov/medicaid/eligibility/spousal-impoverishment visited 12/9/25
[5] ibid. [6] ibid. [7] ibid.

This means that if the community spouse's income falls below the allowance, the state will then allow the community spouse to keep an amount equal to the difference from the resident spouse's income. On the other hand, a community spouse is usually not allowed to retain any income from the resident spouse if their income exceeds the allowance.

In some cases, even this group might want to consider the insurance if the monthly allowance is below the community spouse's living needs.

AARP offers this advice about who should own long term care insurance:

> "It's most likely to pay off if you have at least $75,000, not counting your primary home.... premiums shouldn't take more than 7 percent of your income.[8]

High Resources: This group has sufficient monthly income to support the community spouse's living needs and to cover the monthly nursing home costs in their area (which will vary from location to location). Alternatively, this group may have enough countable assets set aside to meet a three to five year nursing home stay ($240,000 to $400,000 per spouse, depending on nursing home costs in their community).[9] Many of these people, still do, however, obtain insurance because it can help them protect their estate from being reduced by a long-term care need. Most importantly, it can give them some added assurance by providing a separate source of funds to be used for long-term care needs.

Medium Resources: This is the group that often needs the insurance. This group of people has countable assets that exceed the Medicaid limits, but they don't make enough money to cover the monthly costs of nursing home care in their area. Another thing that separates this group from those with high resources is that they lack a separate source of assets to cover an extended stay in a nursing home. For this group, having to come up with $8,669 per month over a long-term period could potentially deplete their estate or create an economic hardship for the community spouse. If you are in this group, you should consider long-term care insurance. This insurance could help secure your financial independence. It can also help to preserve cherished assets for spouses and younger family members.

[8] AARP https://www.aarp.org/caregiving/financial-legal/understanding-long-term-care-insurance/ visited 12/9/25
[9] Genworth Long Term Care Costs - Cost of Care Survey 2024 Semi-private room https://www.carescout.com/cost-of-care visited 12/10/25

When Should
You Get Insurance?

Assuming that long-term care protection is needed, you may want to buy this coverage as soon as possible. The longer you wait, the more expensive it gets.[10]

Some people ask me if they would be better off saving money to prepare for a long-term care need rather than investing in insurance. However, you might not be able to save enough to cover your long-term care needs. Let's say that at age 60, instead of paying a premium of $1,831 annually for insurance (see cost on footnote 10 for age 60), you started saving $1,831 per year for your future long-term care needs. Say you started your program in 2025 planning for 2045.

If we assume for illustration purposes that your savings produced a net return of 5% per year, your accumulated savings would be $61,535 at the end of 20 years. However, in the year 2045, the annual cost in a nursing home could be $174,470.[11] But the same amount paid into a long-term care insurance policy would provide a policy with benefits of $197,767 for long-term care, enough to cover a 14-month nursing home stay.[12] The assumed rate above does not represent any particular investment. This illustration also assumes that the insured is healthy and qualifies for preferred insurance rates. Your actual results will vary from this example.

It is best to start a policy early because the premiums are typically lower. Most importantly, the reason to start with insurance early is so that you can qualify for coverage. As you age and the risk of adverse medical conditions becomes greater, you run the risk that you will not qualify for insurance. As you age, you may develop medical conditions and notations in your medical records that can make you uninsurable. Please note that these policy benefits are subject to the claims-paying ability of the issuing company.

Does this mean if you're already age 78, you cannot get insurance? Not at all. Insurance companies do accept many pre-existing medical conditions and there is no cost to apply. So certainly apply if you want this protection, but do it now, rather than later.

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[10] As an example, comprehensive plan, 3 year coverage at $100 per day, 3% compounded inflation, 90-day elimination for nursing home. Monthly median costs rise as follows: Age 60: $152.60, Age 65: $183.68, Age 70: $208.25, Age 75: $274.18 Premium calculator median prices https://www.newmanlongtermcare.com/run-a-long-term-care-quote visited 12/10/25

[11] Federal long-term care insurance program calculator using annual projected cost in Los Angeles 2045 of $478 daily cost https://www.ltcfeds.com/tools/cost-of-care 12/10/25. annual cost $478/day x 365 days = $174,470

[12] Based premiums for policy in footnote 10, total policy benefits in 20 years of $197,767 based on annual premiums of $1,861, age 60 male. In other words, premiums paid for insurance provide a significantly larger benefit than saving the premium in hopes of self-insuring.

Two Important Reasons to Get Long-Term Care Insurance

If you get sick and need help, who do you think will bear the burden? If you're married, you could turn your spouse's life upside down. You could also jeopardize a comfortable retirement.

If you're single, your kids may get the burden. They may feel obligated to help you and try to manage assisting you into their already over-worked schedule.

Or, you could deplete your assets-money that would otherwise have gone to your heirs. Therefore, it's important to realize that a major reason to get long-term care insurance is to protect your family.

The other reason is to preserve your independence. Do you want your children helping you brush your teeth? Do you want family members deciding how to spend your assets for your care? Insurance provides a separate asset that can be used only for your quality care. Whether for care inside or outside your home, insurance could help you to preserve your independence.

What Does It Cost?

The cost can vary widely depending on the company you choose and the coverage you choose. For example, one company may charge more for inflation protection, while another may have a lower charge for inflation, or they may charge more for home care. The author of this booklet has analyzed coverage for hundreds of seniors and there is no single company that has the lowest cost in all cases.

Therefore, the first step is to decide on the coverage you want, then quotes can be obtained from several companies to find the best quotation for the coverage you desire. There are five important items in choosing coverage:

1. **Inflation Protection:** This protection will increase your insurance benefit over time to hopefully keep pace with the actual cost of long-term care. If you are under age 75, you may want to get inflation coverage because it will hopefully be many years until you need benefits. But in many years, the cost will be a lot higher and you'll be glad you have the inflation-adjusted benefit.

2. **Benefit Period:** You select the term of coverage. In many cases, it is good to apply for at least three years of coverage. The coverage period determines how many years the insurance company will pay you benefits once you need them. Statistics indicate that a two-year policy has historically covered more than 85% of all nursing home cases.[13] Of course, there is no guarantee that this pattern will continue into the future.

3. **Daily Benefit:** This is how much the insurance company will pay per day for your care. The amount of needed coverage depends upon your income and ability to cover these costs. For example, if you determine that an additional $4,500 of monthly cash flow is needed to cover the costs of long-term care, then you might consider a policy with a $150 day benefit ($4,500 divided by 30 days). You should consider your various sources of income and cash flow when making this determination (e.g., social security, pensions and retirement distributions, annuities, etc.). The previous discussion regarding inflation should also be considered.

[13] Urban Institute https://www.urban.org/research/publication/what-lifetime-risk-needing-and-receiving-long-term-services-and-supports visited 12/10/25

4. **Coverage for In Home and Outside the Home Care:** You can select where you want to be covered. While many people like the idea of remaining in their own home and desire insurance for in-home care, the more important insurance for many is for outside the home (e.g., nursing home or assisted living facility).

There are two reasons for this:

(a) In your own home, the care you need is usually more moderate (homemaker duties such as shopping, cooking, cleaning, bill paying) and the cost may be less for such non-medical help. Often friends and neighbors and family can lend a hand making it much easier, financially, to cover in-home care. If you do need to go outside the home, the cost could be substantial and that's when you really need the insurance.[14]

(b) Your home may be poorly designed for you if you're ill. Stairs, long distances to the car and narrow doorways can all present problems for people with walkers or wheelchairs. Often, it's easier and more sensible to obtain care outside the home in facilities designed appropriately.

Of course, many seniors value their independence, and the ability to live at home certainly supports this value. With this in mind, it is also important to consider what coverage is available for home-based nursing care (also referred to as "community care"). If home-based coverage is an important priority, you will want to consider your sources of income to determine your coverage needs.

5. **Elimination Period:** Just as with your car insurance, the more you are willing to pay for a loss (the deductible) the lower your premium. Similarly, you select an "elimination period"- the number of days you will pay for care before the insurance starts to pay. Most policies allow you to select periods ranging from zero days to 180 days with shorter elimination periods generally corresponding to higher premiums.[15]

Get coverage for in-home and out-of-home care if your budget allows; otherwise, at minimum, get insurance for care outside the home.

[14] Genworth Long Term Care Costs - Cost of Care Survey 2024
[15] California Department of Insurance https://www.insurance.ca.gov/0150-seniors/0100alerts/WhatUShouldKnow.cfm visited 12/10/25

Five Ways to Potentially Reduce the Cost of Long-Term Care Insurance

While it would be ideal to have complete coverage (inflation protection, lifetime coverage, at least $300/day benefit), it is better to have at least a basic policy than to have none at all. In other words, a minimum policy is better than being uncovered for the high cost of long-term care. In order to help you minimize the cost of insurance, this booklet provides five ways to help you reduce costs and yet provide basic coverage. No one knows when a health catastrophe can strike. An onset of a heart attack, stroke, cancer, Parkinson's and Alzheimer's are debilitating illnesses, which give no advance warning. Protect yourself and your family financially.

Here are five ways to get covered at a lower cost:

1. **Reduce the coverage period.** For example, reduce the term of the policy from five years to four years. Statistics indicate that a five-year policy has historically covered 90% of the long-term care cases. Of course, there is no guarantee that this pattern will continue on in the future.

2. **Reduce the daily benefit.** The actual cost of nursing care averages $260/day.[16] If you cover just $130 or $160 per day with insurance, some people can make up the difference with other income sources, such as Social Security or interest income.[17]

3. **If you are age 75 or over**, consider omitting the inflation protection. Although you will hopefully never need long-term care, if you do, you could need it within 10 years-by age 85. Therefore, you do not need to protect for inflation over as long a period of time as, for example, a 65-year old would need to prepare.

4. **Consider partial home care coverage.** Many companies offer, as an example, $100/day benefit for nursing home payments and $50/day for home care payments (home care costs can be less expensive if you have family or friends who can help with care). By reducing the benefits for home care, you can lower your premium.

5. **Many people have a spouse or friends or relatives who can assist them in the home.** Depending on the hours of needed care, the costs of a home health aide ($34/hour x 8 hour shift = $272/day) can be less than the costs of round-the-clock nursing home care.[18] With this in mind, the most important coverage area for many is the care provided outside the home.

[16] Average daily rate for a semi-private room is over $111,000 annually or $9,277 monthly. Genworth Long Term Care Costs - Cost of Care Survey 2024, national median semi-private room.

[17] If you have sufficient interest income or Social Security income, it may be better for you to insure for a majority of the cost of long-term care and self-insure for the remainder. This has the effect of lowering the current cost of the insurance premiums without subjecting you to being unable to cover the costs of long-term care, if and when they arise.

[18] Genworth Cost of Care Survey 2024

Other Options and Ideas

Some people resist the idea of insurance. They argue that the money invested is wasted if they never use the insurance. Some companies have decided to address this concern with a type of policy that provides coverage for life insurance and long-term care. It is a single premium fixed universal life policy containing a rider for long-term care benefits. These policies are sometimes referred to as "combo" policies because of the two benefits provided.

There are no annual premiums. The policyholder makes one premium payment. Here is a hypothetical example for a 60-year old male:[19]

Single Premium Payment	$105,000
Long-Term Care Insurance Benefit	$482,683
Life Insurance Benefit-Initial	$160,902

The policy provides the following features:

1. He can surrender the policy at any time after year 6 and receive back at least his original premium (less loans, withdrawals, fees, and expenses). While he has the policy, he has both long-term care insurance and a death benefit.

2. The policyholder dies and has not used the long term care benefits. The heirs will receive the $160,902 life insurance benefit (less loans, withdrawals, fees, and expenses).

3. The policyholder enters a nursing home or needs home health care. He can receive from the policy up to $482,683 at the rate of $6,704 per month in LTC benefits for 6 years (payments reduce the death benefit and payments are reduced by prior loans, withdrawals, fees, and expenses).

The policyholder or his heirs collect the original premium or the long-term care insurance benefit or the death benefit, depending on which situation applies, provided there have been no previous loans or withdrawals (surrender charges may apply). Who is suitable for this type of policy? People who want to preserve countable assets such as stocks, bonds, CDs, bank accounts, cash value life insurance policies, or real estate without having to incur a yearly insurance premium.

In this example a minimum required single premium of $75,000 is typically required. This policy is a modified endowment contract, and loans or withdrawals of account value in excess of premiums paid are taxed as ordinary income. The purchase of life insurance and long-term care insurance requires a health review and not everyone is insurable. The purchase of insurance incurs fees, expenses, and commissions and possible surrender charges.

[19] A 60-year old, married, FL resident, nonsmoker in good health. Single payment $105,000, 3% inflation benefit, issued by Nationwide Life, Policy NFW-8440FL https://nationwidefinancial.com/carematters-quick-quote 12/10/25

Which Insurance Company is Best?

Many companies have policies with competitive features and rates. If you are age 70, company A may have better rates than company B. But if you are age 50, the opposite may be true. No single company has the best rates for all situations. Other companies offer options you may find important. As recommended earlier, the first step is deciding on the coverage items most important to you. It then becomes easier to find the insurance company that best fits your needs.

The way to find the right coverage is to supply your medical information so that we can submit it for an actual quote. The quote supplied from an insurance company rate book applies for people who meet a specific health standard. To determine the actual cost for you, the insurance company will first review your medical history based on the information you supply, as well as obtain records from your physician. The company will then make you an offer of coverage.

If you are interested in getting this important coverage to protect your family, call to make a free appointment. When you call, we will ask for relevant details in order to have information ready for you when we meet.

By the way-the biggest mistake in getting protected is waiting. If you get insurance, you can always cancel it. But if your health fails or you have a need for long-term care, you can become uninsurable. Waiting could be a mistake you cannot undo.

About
Scott Etzel

Scott T. Etzel, CRPC®, is an Investment Advisor Representative and founder of Etzel Financial Resources. He earned a Bachelor’s degree in Business Administration from Grand View University and obtained the Chartered Retirement Planning Counselor® designation through the College for Financial Planning. Scott also holds Series 7 (General Securities Representative) and Series 66 (Uniform Investment Advisor - Combined State Laws) securities registrations along with state insurance licenses, allowing him to provide a broad range of investment, retirement, and insurance solutions to his clients.

Scott specializes in helping high-net-worth individuals, professionals, and closely held business owners navigate the complexities of wealth management. His advisory process integrates investment consulting, advanced financial planning, and ongoing relationship management to help clients pursue their financial objectives with clarity and confidence. By focusing on tax efficiency, disciplined portfolio design, and long-term planning strategies, Scott works to help clients grow, protect, and transfer their wealth effectively.

Through a collaborative approach that often includes coordination with attorneys, accountants, and other trusted professionals, Scott delivers integrated solutions tailored to each client’s unique circumstances. His goal is to simplify complex financial decisions and help clients build a sustainable financial future while protecting the financial security of their families and the legacy they intend to leave behind.

I have years of specialized training in areas such as: Business owner and continuation planning - Asset growth & tax-efficient investment strategies - High-net-worth estate planning - Wealth transfer Strategies - Social Security optimization - Long-term care planning - Retirement income strategies - Employer 401(k) plan rollovers - College savings planning - --You can study and read more about Scott Etzel at www.EtzelFinancialResources.com

About
Etzel Financial Resources, Inc. / www.EtzelFinancialResources.com

Etzel Financial Resources is an independent wealth management firm dedicated to helping individuals, families, and business owners make confident financial decisions through comprehensive planning and disciplined investment management. The firm's process integrates investment consulting, advanced financial planning, and ongoing relationship management to address the full scope of a client's financial life, including portfolio management, tax-efficient strategies, retirement income planning, estate and wealth transfer considerations, and risk management. Etzel Financial Resources works closely with clients' accountants, attorneys, and other professional advisors to coordinate strategies and deliver integrated solutions tailored to each client's goals. By combining sophisticated planning techniques with personalized service, the firm focuses on helping clients build, protect, and transition wealth while maintaining clarity and confidence about their financial future.

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- **Assessment of Impact of Costs: Minimizing fees and other expenses to optimize returns.** - Life Insurance needs analysis, education, and coordination with your financial plan.

- **Assessment of Impact of Taxes: Structuring investments for tax efficiency and wealth preservation.** - Long-term care insurance needs analysis, education, planning, & coordinating with your financial plan.

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Phone today with questions or to see if we can help you.
There is no charge for an initial meeting.

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