

Mohawk Valley Business Journal, Long-Term-Care Planning

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Utica N.Y. - When most people think of financial planning, they think of having money put away for retirement.

But what about money for home-health care or even a nursing-home stay?

Not everyone is thinking along those lines, but as baby boomers inch closer and closer to retirement, more people need to start planning for those types of situations, says Bradley M. Kowalczyk, president of Alan R. Leist Planning Group, Inc. in Utica. The company is part of the group of companies under the Strategic Financial Services, LLC umbrella.

“What we see here is a real need for that type of planning,” he says. Especially for Baby Boomers, who are now starting the first wave of retirements.

Having this type of coverage was never really a concern in the past, he says. But these days, people are living longer, increasing the odds they will need some type of nursing care in their later years.

In addition, changes in recent years to Medicaid have made it much harder for people to qualify for the low-income health assistance, Kowalczyk says. In the past, people were able to dispose of their assets in order to meet the income guidelines and qualify for coverage relatively quickly after that.

New rules that prevent people from doing that asset shuffle have been almost directly responsible for the increased interest in long-term-care insurance, Kowalczyk says.

“That really was the genesis of long-term-care-planning insurance,” he says. The ultimate result is more plans with more options that make such insurance - currently popular as part of executive-compensation packages - within reach of everyone, he says.

Typically, people fall into one of three groups, he notes. Those who cannot afford long-term-care coverage, those who can afford it and need to decide if they want it, and those who are wealthy enough to self-insure.

It's important, says Nancy L. Trela, managing director of Strategic, to sit down with a financial planner and review assets to determine which category a person falls into. From there, the financial planner can help a client determine whether or not the coverage is truly necessary.



BRADLEY M. KOWALCZYK



NANCY L. TRELA

“In the end, it really is a personal decision,” she says. Some people don’t want to spend today’s resources on a future need that may never come to pass.

Long-term-care insurance is similar to car insurance, Kowalczyk says. “Everyone buys it hoping you’re never going to have to collect on it.”

And just like car insurance, if you don’t use it, you never see any return on all the money paid in, he says.

That is a big turnoff for some people, who would rather invest that money in something else, he says.

About 10 percent of the elderly population currently has long-term-care insurance, according to the National Bureau of Economic Research.

U.S. Care, Inc., a California-based third-party administrator servicing corporate group-health plans, estimates that while 60 percent of seniors at age 65 and 90 percent of seniors at age 80 will require some form of long-term care, roughly 94 percent of nursing-home costs and 90 percent of home health-care costs are not covered by traditional health-insurance plans.

Those without long-term-care insurance or other resources could find themselves in a real pickle if they ever do need long-term nursing care.

“The primary risk of not doing this is loss of assets,” Kowalczyk says. In this region of New York, the average cost of long-term care - whether it’s assisted living, nursing home, or in-home care - is \$6,000 a month, he says.

If a patient doesn’t have the means to pay for that care, they may have to liquidate assets to meet the bills, he says.

Fortunately, he says, there is a lot of flexibility that allows people to build a plan that meets at least their basic needs while also meeting their budget.

“You don’t have to insure the whole nut,” he says. “People can hedge their bets.” Flexible riders allow people to determine how much they are covered for - just like with car insurance - and stripping down the coverage to the basics can save greatly on premium costs, he says.

Policy costs vary depending on the type of coverage provided. Factors such as age and health also come into play, Kowalczyk says.

Another option is New York’s partnership insurance program. The public-private partnership between the state and select insurance companies couples an insurance policy with some self-payment with the balance covered by Medicaid.

“Any resident of New York would be well-served to see whether a partnership policy - or a non-partnership policy - would best serve them,” Kowalczyk says.

People can also pre-pay for a policy when they are younger and have more disposable income, but they will pay a higher premium price for that service, he says.

Typically, people begin looking at such insurance plans when they are around age 50 and first considering retirement, Trela says.

Currently, long-term care planning is a small growing facet of Strategic's business, she says. The company does not separately market its long-term care solutions, but rather offers them as part of its comprehensive financial-planning services.

Strategic Financial Services, LLC manages over \$950 million for individuals, businesses, and not-for-profit organizations.

Services are provided through three Strategic companies: Alan R. Leist Planning Group, Inc.; Strategic Investment Advisors, Inc.; and Strategic Retirement Plans, Inc. Company headquarters are located at 114 Business Park Drive, Utica, New York with additional offices in Saratoga Springs, New York and West Palm Beach, Florida.

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