

The LTC Projector

Estate and Policy Analysis



Prepared especially for...

Mike Riley

And

Jane Riley

222 Heywood Ave
Anywhere, CA 93333

Presented by...

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Personal Estate and Long Term Care Analysis

The LTCProjector

Disclaimer:

This analysis is intended to help you understand the possible benefits and costs associated with Long Term Care Insurance and needing Long Term Care. This analysis is not intended to provide you with tax, legal or investment advice. All rates of return and inflation rates in your analysis are hypothetical and will vary over time and are not guaranteed; because of this you should periodically update this analysis with your advisor.

When planning for your estate or developing or reviewing legal documents or strategies you should consult with your attorney.

This analysis is a projection of the possible benefits of owning long term care insurance and is not an actual long term care policy. Insurance policies are binding contracts between you and an insurance company. It is important that you acquaint yourself thoroughly with the terms and conditions of any long term care insurance policies you are considering for your future.

This analysis must be accompanied by an outline of coverage for the proposed insurance coverage.

ORCA Financial Concepts Inc. has worked diligently to create this analysis for your consideration, but are not responsible for any data entry errors or inaccuracies listed in the assumptions of this analysis.



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Assumptions

<u>Agent Information...</u>	
Name.....	Douglas Richards, CLU, ChFC, CFP
Address.....	59 East 11th Eugene, OR 97401
Phone.....	541-868-0449
License #.....	

<u>Client Basic Information...</u>	<u>Primary</u>	<u>Spouse/Partner</u>
Name.....	Mike Riley	Jane Riley
Current Age.....	55	50
Retirement Age.....	65	65

<u>Pre Retirement Info...</u>	<u>Primary</u>
Business Owner.....	No
Core Inflation Rate.....	5.00%
Annual Income.....	\$70,000.00 increasing by 5.00%
Annual Savings for Retirement.....	\$15,000.00 increasing by 3.00%
Annual Expenses.....	\$50,000.00 increasing by 5.00%
Tax Bracket.....	25.00%
Current Retirement Assets.....	500,000.00
Rate of Return on Retirement Assets.....	10.00%

<u>Retirement Information...</u>	<u>Primary</u>
Additional Working Income.....	\$10,000.00 every year.
Social Security Income.....	Value were manually inserted.
Income from Pension.....	\$12,000.00 every year.
Annual Expenses.....	\$77,000.00 increasing by 5.00%
Retirement Tax Bracket.....	0.00%
Rate of Return on Retirement Assets.....	7.00%

<u>LTC Policy...</u>	<u>Primary</u>
LTC Carrier	Your LTC Carrier
Local Cost of Care.....	\$203.00 increasing annually by 7.00%
LTC Premiums.....	\$6,000.00 every year.
LTC Benefit Amount.....	\$250.00 Per Day
Years of Coverage.....	5
Elimination Type.....	Benefit Days
Elimination Amount.....	90
Inflation Option.....	5.00% Compound NoMax
Estimate Age of Need.....	77

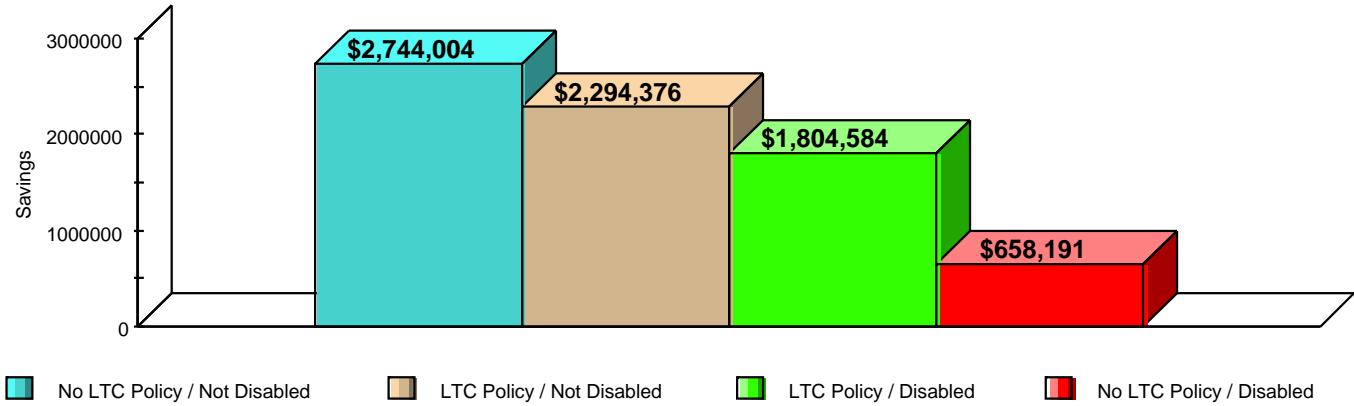


Personal Estate and Long Term Care Analysis

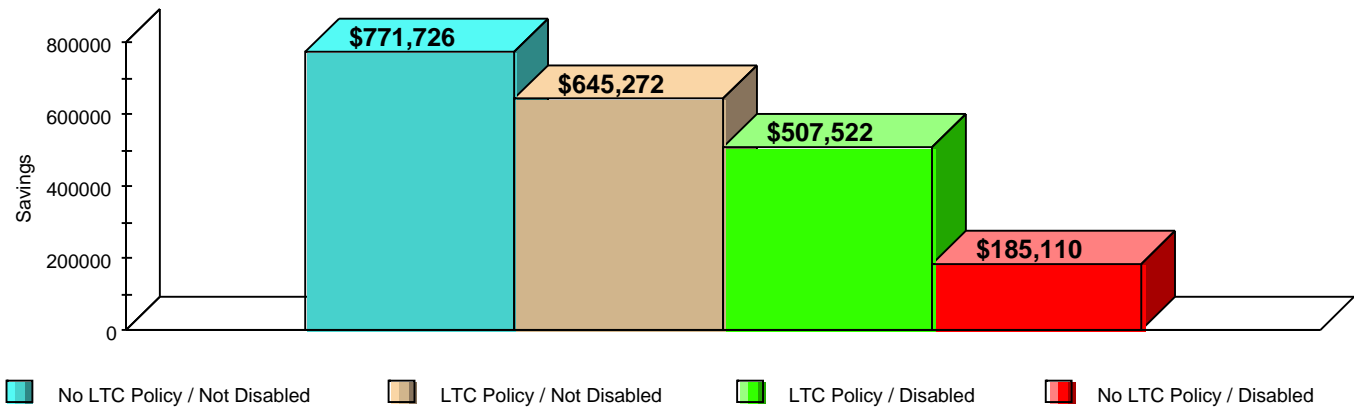
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The Four Possibilities Analysis

Future Value Savings at Age 81



Present Value Savings at Age 81





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The Four Possibilities Analysis

The first is the best case scenario where you never need care and you never had insurance. This is rare since over fifty percent of people older than age 65 will spend some time in a nursing home and remember nearly 85% of all long term care occurs outside of a nursing home.* The future value for this scenario is \$2,744,004 and this represents \$771,726 in today's dollars.

The second scenario is one in which you have elected to purchase insurance and thankfully you never needed care. This is a positive outcome. You will notice that your survivors can expect to receive \$2,294,376 again in today's dollars this represents \$645,272. You will notice that having insurance will cost over time \$449,628 this is a modest decrease from the first scenario.

The third number in these graphs assumes that you had insurance and that you needed it. The further decrease in assets of \$489,792 represents expenses incurred during the policy's elimination period and any out of pocket expenses for care beyond what your insurance will pay. Your survivors, given these assumptions can expect to receive \$1,804,584 and in today's dollars \$507,522.

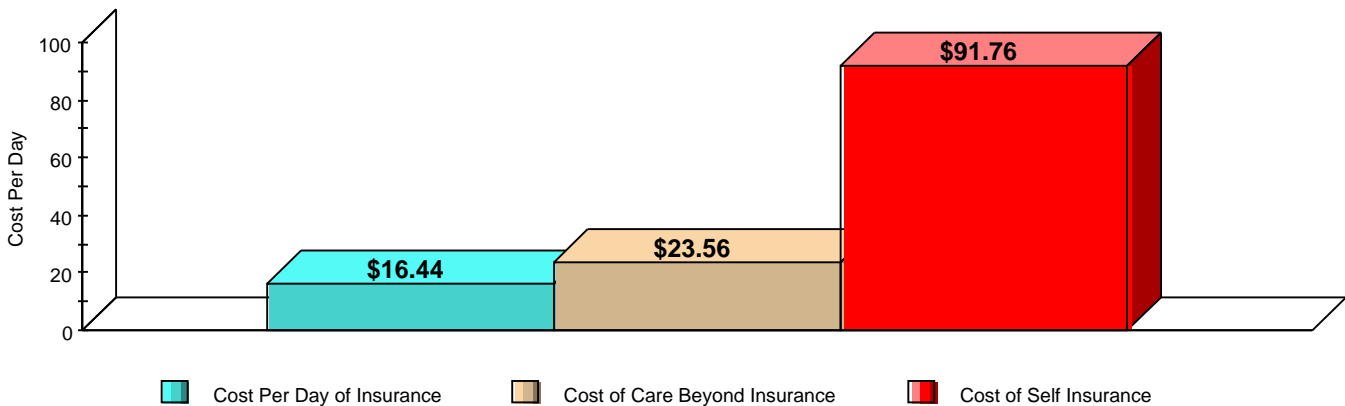
The last bar in this graph is the worst case scenario where in this analysis you have no insurance but you need care. In this scenario you will bear the full costs of care, \$2,085,813. Your assets for your heirs will be reduced to \$658,191 and this would have the equivalent of \$185,110 in today's dollars.

*: Your odds of needing home health care are considerably greater since 85% of Long Term Care occurs in the home of the community." - The Characteristics of Long Term Care Users, Agency Health Care Research and Quality, September 2000



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Cost Analysis



Which would you rather pay?

In the graph above you will see three numbers represented.

The first number \$16.44, is the cost per day of having the insurance; this is the cost that you will incur by having Long Term Care Insurance everyday from today until you need care.

Your long term care insurance policy will probably not cover all of the costs associated with care, and there are a number of reasons for this. There are the costs incurred during the elimination period. Additionally there is the very real possibility that the daily cost of care has grown faster and greater than the daily benefit provided by your policy. The second value, \$23.56, the Cost of Care Beyond Insurance, represents the amount you would need to save or invest given the rates of return assumed in your analysis each day to cover the expenses in the elimination period and beyond the insurance benefit illustrated.

The last value, \$91.76, represents the amount of money you will need to save and invest each and every day to fully cover the costs of long term care outlined in this analysis.

Having the insurance does have a real cost, however this even when added to the Cost of Care Beyond Insurance is dwarfed by the costs of self insuring and represents a \$51.76 savings per day! Long Term Care Insurance can be an effective stop loss option on your assets should you need care. So which would you rather pay?



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How will the cost of care impact you at different ages? The two tables below illustrate this for you to consider. The first table assumes that you need care and don't have any insurance. The second table demonstrates the difference having Long Term Care Insurance makes. Please keep in mind that the length of need and policy benefit information is listed in the assumptions page of your analysis.

Illustrated Values WITHOUT LTC Coverage

Age Of Need / Age of Analysis	60 / 64	65 / 69	70 / 74	75 / 79
Total Premiums Paid *	\$0	\$0	\$0	\$0
Opportunity Cost	\$0	\$0	\$0	\$0
Total Cost of Care	\$597,629	\$838,205	\$1,175,626	\$1,648,877
Total Value of Benefit	\$0	\$0	\$0	\$0
Net Transfer of Risk	\$0	\$0	\$0	\$0
Net Out of Pocket Costs	\$597,629	\$838,205	\$1,175,626	\$1,648,877
Your Asset Value	\$305,645	\$926,544	\$971,171	\$796,512

Illustrated Values WITH LTC Coverage

Age Of Need / Age of Analysis	60 / 64	65 / 69	70 / 74	75 / 79
Total Premiums Paid *	\$30,000	\$60,000	\$90,000	\$120,000
Opportunity Cost	\$58,994	\$137,879	\$241,776	\$387,498
Total Cost of Care	\$597,629	\$838,205	\$1,175,626	\$1,648,877
Total Value of Benefit	\$572,004	\$782,381	\$1,001,448	\$1,278,130
Net Transfer of Risk	\$513,010	\$644,503	\$759,672	\$890,632
Net Out of Pocket Costs	\$25,625	\$55,824	\$174,178	\$370,746
Your Asset Value	\$915,530	\$1,634,031	\$1,859,859	\$1,866,742

The Difference Insurance Makes

Having insurance can make a substantial difference for your survivors if you need care. Long term care insurance can be an important tool to help safeguard your assets.

Age Of Need / Age of Analysis	60 / 64	65 / 69	70 / 74	75 / 79
Difference in Asset Value	\$609,884	\$707,488	\$888,688	\$1,070,231



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LTCProjector Review Sign Off

Date

____ (initial) Douglas Richards, CLU, ChFC, CFP has reviewed the LTCProjector with me and I have a better understanding of how the cost of care may impact my assets and my survivors' future.

____ (initial) At this time I have elected to apply for long term care protection as outlined in this analysis.

____ (initial) At this time I have elected to apply for long term care protection other than as outlined in this analysis.

____ (initial) I have not elected to apply for long term care insurance protection at this time but would like to follow up again on this issue no later than _____(insert date).

____ (initial) I have elected to not apply for long term care insurance protection at this time and am satisfied with my existing long term care planning.

Mike Riley

Date

Jane Riley

Date