

**Attorney Timothy P. Crawford, CPA, CELA\*, CAP\*\***  
wanted to share this information with you.

## **The Dos and Don'ts of Long-Term Care Insurance**

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As baby boomers approach retirement, their parents are now at an age where they may need additional health assistance or skilled nursing care. As they help their parents with these life transitions, baby boomers and succeeding generations are beginning to understand the importance of planning for this stage of life with long-term care insurance as an important tool.

The term “long-term care” generally refers to assistance in the home, an assisted living facility, or nursing home. Long-term care insurance pays a daily or monthly benefit to chronically ill individuals who cannot perform two out of six activities of daily living (i.e., bathing, dressing, eating, transferring, toileting, continence), or who have a severe cognitive impairment, such as Alzheimer’s disease or other form of dementia.

Individuals planning for the cost of long-term care needs have four general options to consider:

1. Hire Attorney Timothy P. Crawford to design a plan to get you a check from the government to pay for your care.
2. Save personal funds to pay for the care when needed or hope what has been saved will be enough (cost of an Alzheimer’s stay \$1,200,000).
3. Plan in advance to qualify for public benefits such as Medicaid or the Department of Veterans Affairs improved welfare benefit.
4. Purchase a long-term care insurance policy through an employer or private company.

The fourth option, purchasing a long-term care insurance policy, gives families the peace of mind of knowing that money is specifically set aside for the purpose of long-term care. If an individual is considering the purchase of long-term care insurance, then the individual should consider the following Dos and Don'ts:

**DON'T** wait too long to purchase a policy. With an estimated 50% risk of needing care, age should not be a consideration when purchasing insurance. Forty percent of all long term care expenses are incurred by people ages 18 to 64 years. Additionally, by the time many people decide to purchase long-term care insurance, they no longer qualify for this insurance because of health conditions.

**DO** purchase a sufficient daily benefit. In Wisconsin, a semi-private room currently averages \$264 per day. A policy with inadequate benefits will require the use of personal funds to fill in the gaps or trying to qualify for public benefits in the future.

**DO** understand the “waiver of premium” feature. Typically, once the insured is receiving benefits from the insurance company, the premiums on the policy are “waived.” If recovery is made and the insured is no longer eligible for benefits, then the premiums will resume.

**DO** consider policies with an inflation rider. The cost of long-term care insurance continues to increase faster than inflation. With the most recent studies showing the cost of care rising 7% annually, insurance companies are offering policies with riders that provide inflation protection. However, in Wisconsin this protection is limited to 5% per year increase in your check from the insurance company.

**DO** consider purchasing a “paid up” policy. Because a policy’s premiums may rise, consider purchasing a “paid up” policy that no longer requires a premium once the insured reaches a certain age or after a given number of years.

**DON'T** forget to notify your tax preparer. All, or a portion, of your premium may be tax deductible. For an individual who itemizes tax deductions, medical expenses are deductible if they exceed 7.5% of the individual’s adjusted gross income. Currently, the portion of the long-term care insurance premium that is deductible is determined by the age of the insured:

Age Amount Deductible per Year

40 and under	\$ 320
41 to 50	\$ 600
51 to 60	\$1,190
61 to 70	\$3,180
70 and over	\$3,980

**DO** consider, if you are a business owner, using your company’s checkbook to pay the premiums. Greater tax benefits are given to business owners. The premiums paid by C-corporations for their employees or an employee’s spouse or dependents, are fully deductible as a business expense. The tax treatment for owners of S-corporations is favorable but slightly more complex than that of C-corporations. The premium is reported as additional compensation to the shareholder, but not subject to FICA or Medicare. The shareholder is then able to deduct the premium to arrive at the

shareholder's adjusted gross income. The S-corporation is able to take a deduction as a compensation expense. This benefit is not subject to the nondiscrimination rules, even though the premiums are deductible. Thus, you can give it to some employees and not to other employees.

**DON'T** worry about unused policy benefits. One of the biggest concerns about buying coverage is the thought of dying and never needing the policy benefits. With some companies, individuals can purchase a "return of premium" rider which, upon death of the insured prior to the age of 65 years, pays back premiums on most policies after ten years of policy ownership, less any benefits paid. However, these policies charge a very large extra premium cost for the benefit. Thus, generally making this benefit less desirable.

These are just a few factors to consider when selecting long-term care insurance. Given the sector's complex laws and frequent regulatory changes, it's best to work with a financial planning professional experienced in the field. Choosing the right policy can reduce family stress and give you greater control over your future care.

**"Those Who Plan Ahead Win.  
Those Who Don't Plan Ahead Lose."**

This article is for informational purpose only and is not intended as legal advice. It is recommended that you call Timothy P. Crawford for a free conference to discuss your situation in more detail. Attorney Crawford can be reached at 1-262-634-6659. Please refer to this article when you call.

\*Attorney Timothy P. Crawford is a Nationally Board Certified Elder Law Attorney (**CELA**). He has been Board Certified by the National Elder Law Foundation which has been approved as the Sole Certifying Organization for Elder Law Attorneys by the American Bar Association.

\*\*Timothy P. Crawford was invited to join the Council of Advanced Practitioners (**CAP**) of the National Academy of Elder Law Attorneys (**NAELA**) in August of 2005. **CAP** is a small group of premier elder law attorneys, all of whom have been members of NAELA for at least 10 years, are certified as elder law attorneys by the National Elder Law Foundation, and are AV rated by Martindale Hubbell, a service that provides an independent rating of the quality of attorneys, as one of the top attorneys in the nation.

Attorney Timothy P. Crawford has been selected as a **Fellow** of NAELA. **Fellow** is the highest honor bestowed by the Academy. Selection as a **Fellow** signifies that his peers recognize the lawyer as a model for others and as an exceptional lawyer and leader.

Attorney Timothy P. Crawford has a superb rating of 10 out of 10 with A V V O.

A V V O has awarded to Attorney Timothy P. Crawford the A V V O Client's Choice Award.

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"A majority of text has come from an article prepared by Kevin M. Shea, CFP, CPA, with CB&H Wealth Management Services LLC, is used here with permission."