Long-Term Care Needs Analysis

The MoneyGuidePro (MGP) Long-Term Care (LTC) Needs Analysis is available in the Insurance section of the Financial Goal Plan if you have included a Retirement Goal in your Plan. We assume that if you have included a Retirement Goal, you have also included the assets that would be used to fund the clients’ long-term care needs. There are default assumptions for the key inputs to the Analysis, however, you can change any of these assumptions to better reflect your clients’ specific situation.

When you first see this page, we display the impact on your clients’ portfolio if the client were to experience a long-term care event and enter into nursing home care at age 80 for three years. We default to nursing home care because that is the primary form of care in LTC policies. We use age 80 because it is the current average age of nursing home residents. In addition, we use three years because the average length of time spent in a nursing home is two and a half years. You have the option to change from nursing home to assisted living or home health care, the duration of the long-term care, and the age that the long-term care cost will begin. What if Scenario 1 is the default, but you can select any What If Scenario to use in the Analysis.

Long-Term Care Needs Analysis Results

The graph shows the effect a long-term care expense would have on the clients’ investment portfolio. MGP compares the clients’ total portfolio with and without funding the long-term care expense. MGP automatically reduces the annual long-term care expense amounts by any existing nursing home long-term care policies entered on the Insurance Policies page. You can also include the effect of purchasing a new LTC policy and/or the effect of reducing living expenses entered in the Refine Needs Analysis section, if applicable, while the person is receiving long-term care.

Below the graph, MGP displays the amounts used in the calculations. All amounts are in future dollars. The Total Cost of Long-Term Care is the total cost increased for the number of years of care specified at the inflation rate for the Long-Term Care Expense found in the Refine Needs Analysis.

The Total of Existing Long-Term Care Policy Benefits is the value of all long-term care policies entered on the Insurance Policies page applicable to the type of care selected. For example, if the only policy you entered was for Home Care, and you have selected Nursing Home Care or Assisted Living for this Analysis, the benefits from that policy would not be used in this Analysis.

The Total Benefits from Purchasing a Long-Term Care Policy is the total value of the new long-term care policy entered in the Refine Needs Analysis section.

The Amount Offset by Expense Reduction During Care Period is the total amount the client saves because of the specified expense reduction during the years of care.

The Net Cost of Care to Be Paid from Portfolio is the total cost of care minus the existing policy benefits, the new policy benefits, and the expense reductions. There are situations where it may appear that MGP is not giving you the full credit for your long-term care policy benefits or your expense reduction. In the calculation of the Net Cost of Care, MGP assumes that this value can never be less than zero. If the net cost of care were less than
zero, it would mean that you were earning money by needing long-term care. MGP first
gives you the full value of the benefits from your existing long-term care policies, followed
by the full value of benefits from your new long-term care policy, taking into account the
elimination period for both existing and new policies. If the full value of the policy benefits
are greater than the total cost of long-term care, MGP reduces the total benefits from the
new policy so that the net cost is zero. Finally, MGP will give you the full expense offset
amount, but only up to the point where the net cost of care equals zero.

Long-Term Care Analysis for Client or Co-client
This section allows you to demonstrate the effect of purchasing a new LTC policy. The
benefits you specify will be used to fund the long-term care expenses, to the extent
possible, so that less money will be needed from the investment portfolio.

Show Results for Client or Co-client
When you first see this page, the LTC Results displayed are for the client. The LTC
Needs Analysis can be completed for both the client and co-client. To switch
between the two use the drop-down box titled Show Results For to choose the
person whose results you want to view and click Go. When you print a Client Report
you can choose to include the results for the client, the co-client, or both. If the
client is single, divorced, or widowed, this selection will not appear.

Select the Scenario to Use
You can select one of five What If Scenarios to use for the Needs Analysis. The
Analysis defaults to What If Scenario 1. You can select a different scenario from the
drop-down box, click Go, and the Analysis will be calculated using that scenario. This
means that the goal amounts, rates of return, inflation rate, and additions will come
from the selected scenario. However, the inputs for the Analysis are independent for
each of the What If scenarios. The Current Plan is not available in the Analysis
because of the ability to add a new LTC policy within the Insurance section of Money.
Since the Current Plan reflects the assets and insurance policies the clients currently
own, you can only see the effect of adding a new policy by using a What If Scenario.
If you want to analyze the clients’ Current Scenario, copy the Current Scenario to one
of the What If Scenarios on the What If Worksheet. Then use that What If Scenario
for your Analysis.

Cost of Long-Term Care

Type of Long-Term Care
There are five choices in the drop-down box. MGP defaults to Nursing Home Care.
You may also select Assisted Living or Home Health Care for 4, 8 or 12 hours per day.
With each selection, MGP includes the average cost for that type of care in the
clients’ state of residence in retirement. This may be different than the state in which
they currently reside if you selected a new state of residence in the Retirement Goal.
Annual Cost

The default for this field is the average cost for the selected type of care in the clients’ state of residence during retirement. You may review other long-term care costs by clicking the View Other Long-Term Care Costs link. MGP includes a database of average long-term care costs for each state and selected cities within each state. Note that these average costs are only starting points as the criteria for care facilities may vary greatly from client to client. You may enter any value into this field. This amount should be in today’s dollars. MGP will inflate the annual cost at the long-term care inflation rate specified in this section.

Inflation Rate for Long-Term Care Expense

This field defaults to the historical average inflation for health care expenses and you have the option to change it. MGP uses this rate for inflating the annual LTC cost.

Long-Term Care Period

Age That Care is Needed

This field defaults to age 80. You can change it to any age that does not exceed the client or co-client’s Planning Age when combined with the number of years of care.

Planning Age

This field displays the client’s or co-client’s Planning Age from the selected What If scenario. The Planning Age is defined as the assumed life expectancy or age of death.

Number of Years of Long-Term Care

This field defaults to three years since the national average nursing home stay is two and a half years. You can change the input to any number as long as care does not continue past the client or co-client's Planning Age.

Expense Adjustments

Reduce Expenses During Long-Term Care Period by This Amount Each Year

This field allows you to reduce a client’s retirement living expense by a certain amount during the long-term care period. Enter an amount in today’s dollars. MGP will inflate this amount using the inflation rate from the selected What If Scenario.

The amount you enter in this field is dependent on the clients’ specific situation, including the costs that comprised the retirement living expenses. For example, if annual travel was included in the retirement living expenses you might want to reduce the living expenses by that amount.

The amount you enter in this field is also dependent on the type of care selected. For example, when you select Home Health Care, there often would not be a reduction in the expenses because the clients will still have all of the expenses of maintaining their home. For many married/domestic partner clients, when Nursing Home or Assisted Living is selected, there might be no reduction in living expenses because the community client, (the non-institutionalized individual) may still incur
the full costs of maintaining their home. For single/divorced/widowed clients, when Nursing Home or Assisted Living is selected, there could be a significant reduction in living expenses. After you enter an amount in this field, click the Calculate button to display the revised results.

**Buy Long-Term Care Policy for Client or Co-client**

This section allows you to demonstrate the effect of buying a new LTC policy. If you choose to include a new LTC policy in the Analysis, by clicking the radio button Yes to include, the benefits of the new policy will reduce the funds needed from the clients' portfolio to pay LTC costs.

*Include New LTC Policy Benefits*

When you select Yes to include a new LTC policy in this Analysis, MGP uses the parameters you specify in this section to pay the client’s or co-client’s long-term care costs. You specify a Benefit Period, an Elimination Period, the Daily Benefit Amount, the Inflation Option, and Inflation Rate.

MGP defaults the Benefit Period to 3 years, the Elimination Period to 100 days, the Daily Benefit Amount to $150, the Inflation Option to Compounded, and the Inflation Rate to 5%.

**Pay Long-Term Care Premiums**

If you’ve included a new LTC policy, you can also show how paying for the policy premiums affect the Results in the clients’ Goal Plan. If you include the premium payments, a new goal titled Buy Long-Term Care Policy will be added to the What If Worksheet. You specify the goal amount and duration in this section.

*Pay for New LTC Policy Premiums from Assets in the Plan*

When you select Yes to pay for the policy premiums from assets in this plan, using the Yes radio button, MGP will add a new goal called Buy Long-Term Care Policy to the What If Worksheet. You must determine a reasonable annual premium based on the person’s age and health, and enter this amount in the space provided. MGP assumes this amount does not inflate and begins today. We default the year to end premium payments to the client or co-client’s End of Plan. You can select a different option from the drop-down box. Also, you must select an Importance for Buying the Long-Term Care Policy Goal. The system defaults to an Importance of 10.

You can select whether to include the premiums for each of the What If Scenarios. Because the inputs for the Analysis are independent for each of the What If Scenarios, you will need to enter policy premiums for each What If Scenario for which you want to include policy premiums. To remove a Buy Long-Term Care Policy goal created in the LTC Needs Analysis, go to the What if Worksheet and click Delete next to the goal name. This will remove the Buy Long-Term Care Policy goal from all What If Scenarios. In addition, this will automatically set the indicator in this section of the LTC Needs Analysis page to No.