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White paper

Six tips for having better long-term care conversations with clients

Shawn Britt, CLU®, CLTC
Director, Long-term Care Initiatives, Advanced Consulting Group

Long-term care (LTC) is one of the most talked about subjects in the financial services industry; but despite all the talk, it's estimated that only 10% of Americans have long-term care coverage.[1] In fact, according to a Nationwide Retirement Institute survey,[2] about three-quarters of adults over 50 say one of their top fears in retirement is health care costs spiraling out of control, yet 43% haven't discussed those concerns with their spouse, children, or financial advisor. Long-term care needs may be a significant part of health care costs in retirement, yet it is clear people are still not taking action. Presenting LTC solutions to a client with successful results can be challenging, but once we understand some of the roadblocks, we can avoid them and help direct clients towards a more positive and comprehensive outcome.

Long-term care coverage may have more negative connotations with clients than any other financial product an advisor works with. What follows are five tips that an advisor can use to help re-direct efforts down a more positive path of discussion and hopefully, to completion of a client's LTC plan.

1. Start the conversation with a focus on home health care

Many people still think of LTC coverage as "nursing home insurance", and once that thought enters a client's head, the discussion may end. The conversation can be opened far easier, and possibly maintained to a positive solution when the focus of the discussion centers on receiving care at home. Avoid the words "long-term care" in the beginning and focus on conversation openers such as *"Let's discuss how to fund keeping you in your home as long as possible should you start needing some help with your care"*.

While statistic dumping generally doesn't work to motivate clients, it may help to understand the numbers of people getting care at home. According to The American Association of Long Term Care Insurance (AALTCI),[3] approximately 52% of initial LTC claims were for care at home. Another 20% of claims were for assisted living — where individuals often are able to have apartment-like living quarters surrounded by their own furniture and belongings. Home health care can be the least expensive or the most expensive form of long-term care. Costs vary greatly depending on the type of care needed as well as the number of hours and days per week care must be paid for. When a client focuses on a goal such as staying at home as long a possible, he or she may be more willing to plan and fund this goal with LTC coverage.

2. Take the "good, better, best" approach

When doing LTC planning, some advisors use "LTC Assessments" or "LTC Estimators" to help calculate what care expenses might be for the client. That's a good idea, but keep in mind the number arrived at on the assessment should be your starting point, not the end number. Showing your client a large number can be a big mistake — because once "sticker shock" sets in, it may be hard to recover.

A more palatable way to discuss costs and the amount to insure is the "good, better, best" approach. Start with the "good" plan, and let the client ask you about the "better" and "best" plans. First, look at what nonessential income the client has that could be used to offset the cost of care. Such income is a resource that could be used to partially pay LTC costs and will lessen the amount of insurance needed. Also, find out how important leaving an inheritance to loved ones is, and what proportion of the client's assets he or she wants to leave to heirs. This information could identify additional resources.

- GOOD — To calculate the amount needed for a "good" plan, determine the amount needed for an average home health care situation — and then subtract the nonessential income and resources that could be used to help pay costs. Since many people only need home health care, the "good" plan may be good enough for many.
- BETTER — The client may then ask what the "better" plan is. That would be insuring for assisted living. Again, you would subtract the nonessential income and resources available from the actual estimated cost of care to calculate the actual amount to insure. If the individual needing care is a surviving spouse, there may be even more nonessential income to work with since expenses such as house payments, property taxes, a car and associated expenses, etc. disappear when the last remaining spouse leaves the home. This additional income could help boost the plan and may help cover expenses for more extensive care needs such as a nursing home or memory care.
- BEST — Finally, you may be asked about the "best" plan. Using the same formula as described above, try to plan for an amount that could fund care for an extended period of time, or for more expensive care such as nursing home, memory care units, 24/7 care at home, etc.

The idea is to start low, and let the client decide if they want to hear the next level of planning — so the client is asking *you* for details on more expensive solutions, and can stop where his or her comfort level lies. The conversation is more likely to end with success when the client is gently led through the information. Please keep in mind that no plan can guarantee to cover all LTC costs that could ultimately occur.

3. Women buy long-term care, men buy returns

Advisors sometimes make the mistake of showing one solution to a couple, then wonder why they only get one party (or neither) to purchase LTC coverage. As it turns out, 82% of people buying traditional LTCi policies are married, yet twice as many of these type policies are sold to women . People buy what looks and feels good to them - and provides a sense that their need is met. Long-term care is not at the top of the list with many clients (especially men), so the solution you offer should meet an underlying need or concern. That may mean showing different solutions to each party of the couple.

- Men often times don't want to believe they'll need long-term care — and if for some unforeseen reason they do need it, they likely will be counting on their spouse to provide care; therefore, to many men, LTC coverage is a waste of money. To get a man's buy-in, you may have to show him something that isn't a waste of money if the policy is little or never used - and present it as a solution that provides a return one way or the other. That may be why life insurance with a LTC rider may have a larger take rate with men than any other LTC solution4. The death benefit provides true leverage with a decent rate of return that can be illustrated. A "win" is had either way because a satisfactory rate of return is realized — whether as a death benefit or a LTC benefit.
- Women are more overtly open to purchasing a LTC solution, thus want a solution that best addresses the concerns they have should a LTC event occur. They may worry about how their care needs could impact other family members; therefore, they may focus on having enough coverage (benefit periods, inflation, etc.), allowing a family member to be paid to provide care, and so forth. Traditional LTCi policies have more options for customization of features, while linked benefit LTC policies may offer indemnity benefits that that allow for family care along with some customization such as inflation and benefit periods.

4. Women understand consequences and often drive the sale

While not always the case, it is more likely that the wife (or female of a couple) is more interested in purchasing LTC coverage than her husband is.[4] When discussing LTC with a couple, it may help if you can get the woman to speak her feelings first. A woman is more likely to voice concerns such as how the couple's LTC needs could impact the family if no planning is in place; and how her own health and financial security could be impacted should her husband need care. In other words, the wife is more likely to focus on the consequences of not having a plan and funding in place.

When you facilitate the wife into leading the discussion, she is less likely to be put into a position of contradicting her husband and may be more forthcoming with her feelings. Once the husband hears her legitimate concerns about the consequences of not planning ahead — the tone has been set to address and avoid potential consequences that could impact their entire family, and putting a plan in place is more likely to happen.

5. Secondary concerns must also be met

Long-term care can be complex in that there may be various factors for the client to consider when making the decision to insure this risk. Many an advisor has been frustrated thinking the LTC planning was moving along fine, only to have the client back out in the end. Thus, it is also important to identify any secondary fears or concerns a client may have so you can present a solution that meets the LTC need as well as the underlying concern. That may mean presenting a different LTC solution to each party of the couple. Some common fears with a corresponding solution are:

- *"What if I never need long-term care - is this still a good investment?"* Show the client a LTC rider on life insurance and the rate of return on the policy that could result whether long-term care is needed or not. Being able to visualize the actual return on the policy may warm up a client getting cold feet.
- *"At the very least, I want my money returned to my kids if I never need care"*. Show the client a linked benefit policy, where the death benefit is equal to or more than the premium paid, thus assuring the client that there is no loss of premium dollars.
- *"I dealt with my mother's LTC policy and it was a nightmare collecting and sending in all the bills for reimbursement — I would rather just pay my own way and keep it easy!!!"* Let the client know there are a variety of indemnity benefit LTC solutions available. With most companies, these solutions do not require monthly submission of bills and receipts to collect LTC benefits. Then ask about other potential wishes (such as paying family members to provide care) in order to dig deeper and help pinpoint the most appropriate indemnity or cash indemnity product.

6. Your choice of words is crucial to success

Use words that are positive to the goal in mind. Keep the conversation focused on LTC *"solutions"*, not LTC policies. If the advisor refers to "policies" the client may be more defensive, feeling that someone is trying to talk him or her into something they don't want to buy (especially men). If you refer to "LTC solutions", you (as the advisor) are likely come across more as a problem solver.

Also, avoid words like "burden" and "stuck" and replace with works like "challenge". No one wants to be described by someone else as a "burden to others". However, it is totally realistic and respectful to describe a situation as *"a challenge for adult children to juggle care for a parent with their own life's responsibilities"*. Making these word substitutions will help you have a more respectful and thoughtful conversation while maintaining a realistic discussion.

Bonus Tip. If possible, find assets that can be repositioned before the appointment

No one likes spending money on things they don't want to buy. It may be easier to get a client interested in acquiring a LTC solution when funding for the policy comes from repositioning assets for more efficient use, rather than from an actual expenditure. Look in your client's file to see what assets are available to reposition as a funding resource for a LTC solution. If you are working with a new client, then part of gathering information should include looking for assets that might be better positioned with long-term care in mind.

- Ask the client if he or she owns any CDs (Certificates of Deposit) and when they are coming due. This may provide a good funding source for a single premium LTC solution.
- IRAs not needed for retirement income are good sources of annual premium LTC funding, and depending on the amount of the RMD, may be sufficient for a five or ten-year premium schedule.
- Annuities not needed for retirement income can provide a premium source for LTC solutions. Keep in mind how much gain exists in the annuity; as the more gain the contract has, the longer you may need to stretch premium payments for a tax efficient distribution of annuity assets.
- Low return assets may provide more value as a funding source for LTC solutions.
- Unexpected windfalls of cash such as an inheritance, or bond being called early can provide a LTC funding resource.

Summary

With thought and preparation, presenting LTC solutions can have a successful outcome. Be patient as this planning can take several appointments. But with the variety of LTC solutions available today, you have the ability to customize a plan that can serve your client's needs while addressing their concerns.

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[1] The National Bureau of Economic Research, December 2016
[2] Reported by — Financial Planning- "Health care knowledge is a must for advisors, Paul Hechinger – April 2017
[3] "Share of LTCI Claims Starting with Nursing Care Falls: AALTCI", ThinkAdvisor, Allison Bell – April 20, 2018
[4] American Association of Long Term Care Insurance - AALTCI Sourcebook 2016

NFM-15011AO.2 (08/18)