THE IMPORTANCE OF TIMING: WHEN SHOULD YOU BUY LONG TERM CARE INSURANCE?

In the beginning, long term care insurance was widely regarded as a product that was of interest primarily to people already well into their senior years, when the possibility of needing long term care was looming very real. Even today, according to Phyllis Shelton, author of *Long Term Care: Your Financial Planning Guide,* published in 2003, “It’s not at all unusual for people in their 60s and 70s to buy [long term care insurance] policies. In fact, the average age of new policyholders in the individual market is 65. It’s lower in group plans, around 42.”

More recently, however, many financial experts suggest that providing a funding mechanism for potential long term care expenses should be handled early on. Just as individuals elect to carry life insurance and disability insurance during their earlier adult years, and hopefully begin saving for retirement early, they should begin to plan for the possibility of needing long term care as well.

How early is early?

According to Shelton, “It’s prudent to buy coverage as soon as you can afford to. Remember, the potential payback is a lot higher if you are unlucky enough to need coverage sooner rather than later.” A good time to buy long term care insurance is between ages 50 and 55, according to the American Health Care Association, a federation of 50 state health organizations representing assisted living, nursing facility, long term care, and sub-acute care providers.

In addition, the premiums for long term care insurance are much lower when you are younger. It is easy enough to find out how much a particular policy would cost you at different ages; for example, 45, 55 and 65, and multiply the total premiums for that policy out. In many cases, the lifetime expense is actually much lower when you buy the policy 10 or 20 years earlier. This is true even if you buy the important coverage that increases your benefit amounts by a given percentage each year to account for inflation.

Planning on continued good health?

There is another wrinkle to the “best age to buy” question. About 40% of the people needing long term care are adults between ages 18 and 64, who may have had an accident, a stroke, or developed multiple sclerosis or another illness, according to statistics published in the 2002 *Long Term Care Planning Handbook,* published by Federal Handbooks, Inc.

Even barring catastrophic early health situations, time takes its toll on many of us. Unfortunately, once your health declines, you may become ineligible for long term care insurance. In some cases, you may develop a condition that some insurers classify as a “pre-existing condition” and for which they may deny coverage. In many cases, that is the very condition (for example, ongoing early memory loss) that may later necessitate long term care. Therefore, it is smart to buy long term care insurance while you are relatively healthy, and before you have the bad luck to experience a disabling accident.

Long term care can present particular difficulties for a younger family, whose finances may not be well established, and who may be counting on having two adult wage earners for a number of productive years. For these families, long term care insurance can be a tremendous boon when one of the adults needs long term care.

Balancing it out

Realistically, most people need to balance a range of financial responsibilities.

Many adults in their 40s and 50s face a range of expenses and demands at once. They may feel increased pressure to save for retirement, particularly if they have underinvested in their younger years. Their children may be going to college. They may also be providing financial help, including the funding of long term care, to their parents. When considering long term care insurance, they justifiably want to make sure that they should be buying, and that they should be buying now.

The U.S. Senior Health Cooperative, in its book *Planning for Long-Term Care,* published in 2002, recommends that you consider long term care insurance if you have over $75,000 in assets, not including your primary house and your car ($150,000 for a couple) and over $25,000 in annual household income ($50,000 for a couple)

Next, most financial planners will counsel that people should look at their budgets and see if they can afford the insurance. While it is an important investment, it should not take precedence over basic living expenses and immediate needs. Also, it is important to consider what coverages are most important. Do you need home or community care services? How long do you want benefits to last when you need long term care? Are you willing to have a waiting period after filing a claim but before benefits kick in? All these and other factors will affect the price you pay. It is also very important to choose an insurer with solid assets and excellent ratings.

Once you’ve weighed all the factors, the basic question remains: when is the best time to invest in long term care insurance. The simplest answer is this: the right time to buy long term care insurance is when you can afford it, and before you need it.