



# **Pioneer Bank & Trust**

## **Trust & Investments**

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## **Bell tolls for long-term-care insurance**

Perhaps the product was doomed from the start. As critics pointed out, people who needed long-term-care insurance couldn't afford it; people rich enough to afford it didn't need it.

And those were the good old days. Most holders of LTC policies have seen their premiums soar; in an era of low interest rates, insurance companies have a hard time meeting their investment targets for their pools of funds. Sales of new policies have plummeted. In 2002 the number of individual policies sold peaked at 750,000. Last year's sales: 110,000. There are 45 million Americans age 65 and older, and only 8 million of them have long-term-care policies.

Some people reportedly are worried that if they have the insurance, it will make it too easy for their children to force them into a nursing home.

As if soaring premiums and severe shrinkage in the number of companies offering policies aren't trouble enough, marketing of long-term-care insurance also has clashed with an opposing concept: Medicaid planning. Why buy a policy to protect yourself against the risk of exhausting your wealth and ending up in a Medicaid-funded nursing home? Medicaid planners offer techniques for diverting or divesting assets in order to achieve that very result. But the government really can't afford to cover nursing home care for everyone.

LTC insurance and Medicaid planning share the goal of protecting the children's inheritance. Shouldn't the kids be glad to pay their parents' LTC premiums? The idea hasn't gained traction.

If the potential costs of long-term care can't be insured against, they must be met through added savings and investment. The job of investing for financial independence only begins with building a source of regular retirement income.

(September 2016)

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