

The “Daily Plan-It™”

ESTATE & BUSINESS LAW GROUP, P.C.

Client Issue

Understand the Difference between Long-Term Care & Disability Insurance

People can become easily confused when a financial advisor starts talking about insurance options. This is especially true when explaining the differences between long-term care insurance and disability insurance.

Both of these options help pay expenses when a policy holder becomes too ill to work or care for him/herself. Both are often associated with seniors. And lastly, both can be “guaranteed renewable,” meaning an insurance company can’t drop the policy.

However, there are some important distinctions we can help clients to understand.

Know Your Vegetables

To explain the differences between disability insurance and long-term care policies, try to think of yourself as a farmer, and the different insurance policies as different vegetables.

Because it replaces or supplements lost income, disability insurance is like the potato – something farmers will plant early in the season to act as filler for stews and casseroles when times are lean.

Long-term care policies help later in life and can be considered the squash – a staple food that a farmer will plant for a late harvest.

Replacing Lost Income

Disability insurance, like life insurance, protects future earnings. Basically, it replaces income when you become physically unable to work. Without it, most people are not prepared for the loss of wages that usually follows a severe injury or illness.

It’s important to know that most disability policies only recover a percentage of a person’s lost wages – typically between 60 to 80 percent. In addition, the payouts decrease in amount when the person’s disability goes from short-term to long-term.

Paying for Nursing Care

Long-term care policies cover the cost of disabilities due to age, illness or injury. This can include paying for care at your own residence or in a nursing home. It will pay for room, board and skilled care by health care professionals.

Like disability coverage, long-term care policies can only be purchased when a person is healthy. They can also vary in eligibility criteria, namely, the determination of when someone can no longer live independently.

Policies vary in length of coverage, from a few years to “lifetime.” The typical nursing home stay lasts about three years, therefore, you may only wish to purchase a few years worth of coverage.

As always, I hope this article has helped you. If you have a specific issue or case you’d like to discuss, please call our office.

Workshop Schedule

The Truth about Estate Planning
Usually Tuesday nights, 7:00 pm
(Please call for current dates)



IRA Preservation Planning
Learn how to properly protect your IRAs and what the IRA Preservation Trust can do!
(Please call for current dates)

Medicaid Planning Workshop

The new Medicaid laws and some of the planning options that are still available, even in light of these sweeping changes.

Tuesday nights, 7:00 pm
(Next dates: October 20, November 17, December 8)

Registration: Contact Mary Lang at (847) 367-4460
<http://eblawgroup.com>

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Howard M. Lang, J.D. & Marguerite A. Kopke, J.D.

847-367-4460

http://eblawgroup.com/FAQ_medicaid.htm