

The “Daily Plan-It™”

ESTATE & BUSINESS LAW GROUP, P.C.

Volume 11, Issue 20

10/1/2009

Understand the Difference between Long-Term Care & Disability Insurance

Clients 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 you can help clients to understand.

Know Your Vegetables

To explain the differences between disability insurance and long-term care policies, ask clients to think of themselves as farmers, 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 the client’s 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, many clients may only wish to purchase a few years worth of coverage.

As always, I hope this article has helped you and your clients. 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)

On February 8, 2006, President Bush signed into law the Deficit Reduction Act of 2005 (DRA 2005), which included the most sweeping changes to [Medicaid](#) laws ever enacted.

Medicaid Planning Workshop

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

Usually Tuesday nights, 7:00 pm

(Please call for current dates)

Registration: Contact Mary Lang at (847) 367-4460

<http://eblawgroup.com>

ESTATE & BUSINESS LAW GROUP, P.C.

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

847-367-4460

We invite you also to direct your clients to
http://eblawgroup.com/FAQ_medicaid.htm
for more information on Medicaid Planning.