Six ways to have better LTC conversations with clients

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Long-term care (LTC) needs may be a significant part of health care costs in retirement, yet it is clear that people are still not taking action. It is estimated that fewer than 8% of Americans have long-term care coverage.[1]

According to a Nationwide Retirement Institute® survey,[2] 87% of adults said that because of the pandemic, they feel it is more important than ever to receive care at home, to have a care plan in place and to have long-term care (LTC) insurance. Yet 43% have not even discussed those concerns with their spouse, their children or a financial professional.[3] Will pandemic concerns raise awareness to the point of increased LTC policy ownership? Only time will tell. Regardless, it can be challenging to achieve successful results when presenting LTC solutions to a client, but once we understand some of the roadblocks, we can avoid them and help direct clients toward a more positive and comprehensive outcome.

Long-term care coverage may have more negative connotations for clients than any other financial product. What follows are six suggestions that a financial professional can use to help redirect the discussion to a more positive path 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 more easily, and possibly continued on 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 pay for 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 might help to understand the numbers of people getting care at home. According to The American Association of Long Term Care Insurance (AALTCI), approximately 73% of initial LTC claims are now for care at home.[4] Another 18% of LTC claims are for assisted living — where individuals often live in apartment-like living quarters surrounded by their own furnishings and belongings.

Home health care can be both the least expensive and 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 that care is needed. However, when a client focuses on a goal, such as staying at home as long as possible, he or she may be more receptive to planning for and funding this goal with LTC coverage.

Key highlights:

Keep the conversation positive with a focus on home care.

Men may view LTC coverage as a waste of money if it isn't used; offer solutions that provide a return either way.

Women are usually more open to buying LTC coverage; let her take the lead in the conversation.

[1] United States Census Bureau (Oct. 8, 2021); American Association of Long-Term Care Insurance 2020 report.

[2] Nationwide Retirement Institute® Long-Term Care Survey with The Harris Poll (November 2021).

[3] Nationwide Retirement Institute® Long-Term Care Survey with The Harris Poll (November 2020).

[4] American Association for Long-Term Care Insurance, 2022, www.aaltci.org

2 The "good, better, best" approach

When doing LTC planning, some financial professionals use "LTC Assessments" or "LTC Estimators" to help calculate how much LTC 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 could be hard for the client to recover and move forward with planning. 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 any nonessential income and resources that could be used to help pay for those costs. Keep in mind that home health care costs will be in addition to the cost of living in the residence. Because many people need only home health care, the "good" plan might be good enough.

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 because 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. But keep in mind that predicting who will survive the other spouse is going to be difficult — if not impossible — unless there are other factors to consider, such as a large difference in age between the spouses.

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 that could fund the cost of 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 whether they want to hear the next level of planning — so that it is the client asking *you* for details on more expensive solutions, and you 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.

Approximately

73%

of initial LTC claims are now for care at home.[4]

Another

18%

of LTC claims are for assisted living.

3 Women buy long-term care; Men buy returns

Financial professionals sometimes make the mistake of showing one solution to a couple, then wonder why only one party (or neither) purchases LTC coverage. As it turns out, 82% of people buying traditional LTC policies are married, yet twice as many of these types of policies are sold to women.[5] 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 could mean showing different solutions to each party of the couple.

You will often find that men don't want to believe they will need long-term care — and if for some unforeseen reason they do need it, they will probably 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 appeal to his sense of logic. Show him something that isn't a waste of money if the policy is little or never used by presenting a solution that provides a return one way or the other. That may be why life insurance with an LTC rider has a larger take rate with men than any other LTC solution. 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 an LTC benefit.

Women are more overtly open to purchasing an LTC solution, therefore they want a solution that best addresses the concerns they may have should an LTC event occur. Women often take a more emotional approach to LTC and may worry how their care needs could impact other family members. Thus, they tend to focus more on having enough coverage (benefit periods, inflation, etc.), being able to compensate family members to provide care,[6] or making sure there are adequate funds to pay for outside caregivers so that family members do not have to provide care, etc.

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of people buying traditional LTC policies are married, yet twice as many of these types of policies are sold to women.[5]

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. Therefore, 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 expensive care. In other words, the wife is more likely to focus on the consequences of not having a long-term care plan and funding in place.

When you encourage the wife to lead 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] "Must-Know Statistics About Long-Term Care: 2023 Edition" Christine Benz for Morningstar (March 29, 2023).

[6] Please consult your tax advisor when paying an informal caregiver as there may be tax implications to such an arrangement.

5 Secondary fears and concerns must also be met

Long-term care can be complex, because there may be various factors for the client to consider when making the decision to purchase LTC coverage. Many financial professionals have experienced the frustration of 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?"** With this concern, you can show the client an 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 who's getting cold feet.
- **"At the very least, I want my money returned to my kids if I never need care."** If LTC funding is the primary concern (not life insurance), you can show the client a linked-benefit policy, where the death benefit is usually equal to or more than the premiums paid, thus assuring the client that there is little or 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 and receipts for reimbursement. I would rather just pay my own way and keep it easy!"** Fortunately, there are a variety of indemnity and cash indemnity LTC benefit solutions available. With most companies, these solutions do not require any monthly claims paperwork in order to collect LTC benefits. To dig deeper, ask about other potential wishes (such as paying family members to provide care). This may lead to the need for a cash indemnity product in which the insurance company does not place any restrictions on how LTC benefits are used.

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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 financial professional 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 financial professional) are more likely to come across as a problem-solver.

Also, avoid words such as "burden" and "stuck" and replace with words such as "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 idea:
Before the appointment, find assets that can be repositioned

No one likes spending money on things they don't want to buy. It may be easier to get a client interested in acquiring an 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 an 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, they may be sufficient for a 5- or 10-year premium schedule.
- Annuities not needed for retirement income can provide a premium source for LTC solutions.
- Low-return assets may provide more value as a funding source for LTC solutions instead of remaining in their current position.
- Unexpected windfalls of cash such as an inheritance, downsizing a home or selling a business may provide LTC funding resources.

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 a client's needs while addressing their secondary concerns.

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NFM-15011AO.5 (12/23)