Case Study Scenarios [DRAFT]
Financial Experts Network Webinar
November 2, 2021

Bob Vandy, CLU, ChFC, LUTCF, CLTC

<u>Case Study #1:</u>

Peter Planner and his wife, Patty, PA residents, both age 55, have become increasingly aware of the need to plan for an extended care event in their own lives after caring for Peter's mother, Penelope, until her recent passing.

Peter's only sibling, his sister Pauline, lives out of state, which had left a majority of the caregiving responsibilities – both the actual delivery of some care, as well as coordination of her professional care – to Peter. As is often the case in family situations, a lion's share of the caregiving fell to Patty. That caregiving took a physical, emotional, and financial, toll on them both, and resulted in a depletion of most of Penelope's assets and income to pay for her professional care. They do not want the same toll to be incurred by their children, Peter, Jr. and Poppy.

Peter and Patty, both teachers, have done well financially. Patty took a few years off from her teaching position when their children were younger. They own their home outright, have accumulated a handsome nest egg, and anticipate attractive pensions upon retirement, which they expect in about 5 years. They consider themselves very conservative financially (even more so as they approach retirement), and are more concerned than ever that if one or both of them needs LTC/extended care services, their assets and/or income could be significantly depleted.

Should they need care, they would like to insure against the financial consequences of any professional care they may need, since their children are not living in the area, and they have no interest in burdening their children by moving in with one of them, if that was even an option.

Here is a snapshot of their financial situation:

- Personal residence – value of ~$300,000 (no mortgage)
- Savings - $100,000
- 403(b) accounts:
  - Peter - $300,000
  - Patricia - $200,000
- Current incomes:
  - Peter - $6,000 per month
  - Patricia - $4500 per month
- Anticipated pensions @ 5 years hence (non-inflated; J&S 50%):
  - Peter - $2500 per month
  - Patricia - $1800 per month

They are seeking the most cost-effective insurance-based solution that allows them to transfer a large portion of the extended care risk to a third party. They are prepared to "co-insure" of "co-fund" a portion of the risk if necessary. They understand the premiums for traditional LTC insurance (LTCI) policy may increase and are comfortable with that, especially given the higher rates on LTCI today compared with past years. They also understand the concept of pure insurance and are comfortable with a solution that – like auto, homeowners or liability insurance – does not provide an alternate benefit at death if insurance is not needed.

Case Study #2:

Carolyn Cautious is a 62-year-old divorced, successful small business owner and resident of IL. She has 2 children, one an attorney in Los Angeles, CA and one an accountant in Tampa, FL. Both children are quite busy with their careers, as well as with their respective families.

While Carolyn has a small, strong circle of friends and is active in her church, she knows she cannot – and does not want to - count on either her children, her friends or her church for any extended care needs she may have in the future. She has lived quite independently, and is proud of that having built her business, and does not want to rely on others if she does need extended or LTC services.

Carolyn has investigated LTC insurance in the past. While she recognizes and appreciates the idea of insuring against the financial consequences of an extended care event, she feels she has sufficient assets and income to retain the financial risk of an extended care event. Having said that, she would be interested in a solution that not only provides her the ability to "leverage" her assets and/or income, so as to "use someone else's money" (e.g. the insurance company's) to offset at least some of that risk.

Carolyn classifies herself as conservative, both from a financial risk-taking and overall planning standpoint.

Here is a snapshot of Carolyn's financial situation:

- Personal residence – value of ~$750,000 ($50,000/2 year mortgage remaining)
- Savings - $250,000
- CD's - $600,000
- Mutual Funds - ~$400,000
- 401(k) - $2,500,000
- Current Income from business - $20,000 per month

When she originally investigated LTC insurance options, Carolyn was concerned about the possibility that premiums could increase on traditional LTC insurance. While she understands those rates may be more stable today, her conservative nature is pushing toward more of a guaranteed solution.

She finds the idea of a policy that provides both a meaningful LTC benefit, as well as a death benefit in the event she doesn't need care, to be appealing, as it would allow her to enhance the estate she leaves her children and/or to benefit her church whether she needs care or not.