

Foreword by Teresa Heinz Kerry

What Women Need to Know About Retirement

A joint project of the Heinz Family Philanthropies and
The Women's Institute for a Secure Retirement

Edited by Jeffrey R. Lewis and Cindy Hounsell

Foreword

By Teresa Heinz Kerry

There is great beauty, and great valor, in every woman's struggle to leave her mark on this world. We all know the women and the stories: The bravery of a single mother juggling two jobs; the strength of a grandmother who still goes to work every day to help raise her grandchildren and save enough to one day retire; the amazing grace of our aunts and sisters and best friends fighting to overcome breast cancer or another illness. The poise of every young woman who refuses to listen to the ads and institutions that tell her she is only valuable if she is blonde, and thin, and perfect.

We must celebrate these women's stories and what they tell us—that we are not alone, and that we can change the way things are. Today, at the start of the 21st century, when a woman decides to take her finances into her own hands, and to provide for a secure and comfortable and dignified retirement, she is confronted with having to make many complicated choices and many difficult decisions. And it's not surprising, then, for a woman to feel overwhelmed, alone and on her own.

This book and its authors are here to tell all working women two important things. First: You Can Do It. Second: You Are Not Alone. We are here to share the practical wisdom gained from experiences like yours, to help you take control of your life and prepare for your retirement.

We have to help each other prepare so that you, your mother, your sister, your daughter, your best friend, won't end up like so many elderly women today who are living in poverty and despair and disrespect. Many of these same women lived comfortably before retirement. Poverty in our country has a distinctly feminine face. The largest growing segment of our population is poor, elderly women.

We shouldn't let this happen in our lives. We must take charge and have faith that in unity there is strength, in knowledge there is power, and in our action there is a future.

Over the last several decades, women across generations have knocked down barriers in the workforce. Today we are doctors and lawyers and CEOs. We build cars and ships and machines and microchips. We design new products that protect our environment and our health. We tend to the sick and cure diseases. We drive trucks in wars. We are senators and governors. We are waitresses and chefs. And at the end of the day, we are still the caretakers of every home — the glue that keeps things from spinning into chaos. When our children, our spouses, or our parents need care and caregiving, we are called on and we are there.

This is what we have accomplished together after decades of hard work. And this hard work must continue in order to achieve equal pay, pensions, and the chance to be caregivers and not be penalized for it in retirement.

Today, our retirement system still functions as if most of the workers in America were men. But with 69 million women in the workforce—and 10 million of them the sole breadwinners in their families—it is time and past time to bring our retirement policies into the 21st century.

Women must do what we do best: take charge ourselves. The question is how. How do you juggle and try to balance one more thing when you are already so heavily burdened? How do you plan for 30 years down the road when you'd be happy getting through the chaos of the day: getting the kids to school, getting to work, and getting home at night?

I hope this book provides you with some answers. They aren't quick fixes, but they will help you get on a path to economic security. I have reached out to some of the most passionate and dedicated people and asked them to focus on writing clear and comprehensive chapters about different aspects of personal finance and retirement planning.

The financial security of women is something I have cared about for more than a decade. It is very personal. After losing my first husband, John Heinz, in a plane crash in 1991, I felt overwhelmed and helpless. Fortunately, I did not have to worry about financial problems. But I began to think, "What if my circumstances had been different? There are many who feel the way I do but few who are as fortunate. What can be done for those who find hardship behind each door?" That was the beginning of a personal commitment and vision for me.

That is why, a decade ago, I established the Women's Institute for a Secure Retirement (WISER) as part of the Heinz Family Philanthropies' efforts. We have now reached millions of women with timely and practical information about their financial rights and opportunities. We continue to lead efforts in Washington to change the laws that discriminate against women and saving.

At WISER, we have learned that most people—and most women—simply don't know the facts about women and retirement. For example, women still earn only 77 cents to a full-time working man's dollar.

Two-thirds of all working women earn less than \$30,000 a year in jobs without pensions. Over a lifetime, women will spend 27 years in the workforce, while men will spend almost 40 years. Because women will leave the labor force to have children and care for family members, women retirees (and only the lucky ones at that) will receive about half the pension benefits retired men can count on. This also means a smaller Social Security check for women—who often count on it for the lion's share of their retirement income. Women live longer than men, which means they have to think about extended health care and long-term care costs.

It may seem that the decks are stacked against women. But once we understand and state the obvious differences between men and women when it comes to the workforce and retirement, we can begin to fix the problems they present. You have already started to do something by picking up this book, because this book tells you what you need to know. This book will tell you what you can do to start saving, and be your map for navigating the mazes of pensions, Social Security and Medicare. And it is important to reiterate that it is still important to save, even a little, while you are paying off your student loans.

A lifetime of hard work should bring economic security and the resources to enjoy a retirement earned over many working years.

It's time to close the wage gap and enforce and strengthen anti-discrimination laws. It is time to focus on increasing retirement security for *all* Americans by increasing private savings, pension

stability, and protecting Social Security. And it is time for us to get to work and rid the current system of inequities facing working women.

We all know that women are the chaos managers of our society: juggling children, spouses and work in and out of the home. And I hope that this book will provide you with the tools you need to make that juggling a little easier.

Once you begin to learn and save and work toward your own retirement goals, perhaps you will share your story with someone else you know and care for or care about. These are the stories we all look forward to hearing the most: the ones filled with grace and dignity after a lifetime of work and care. That's the story we all dream of, and together we will write it by taking charge of our own financial destinies.

And, as you read this and have a story to share, please email me (teresa@heinzoffice.org), or write me a letter in care of the Heinz Family Philanthropies, 1101 Pennsylvania Avenue, N.W., Suite 350, Washington, D.C. 20004.

Finally, let me thank and applaud the efforts of Cindy Hounsell, the President of WISER, and Jeffrey Lewis, the WISER Board chairman, for bringing this information, at no cost, to all the women, and any enlightened men, who will read it.

Teresa Heinz Kerry

Dedication

In a conversation one day, Teresa Heinz Kerry, the chairman emeritus of the Women's Institute for a Secure Retirement (WISER), challenged WISER staff to compile a book about retirement issues that would provide women with information they could readily use. She believed, as do we, that because women live longer and because they are the majority of the nation's caregivers, that it was especially important for them to know how to take control of their own retirement future—if they don't, no one else will.

WISER began in 1996 because Teresa believed that all women needed access to up-to-date and easy-to-understand information about how to take control of their own financial lives, and to learn what they could do to assure their security in their retirement years.

Teresa has supported our work annually and without her help, encouragement, and vision, WISER could not have grown to bring together the partnerships and organizations that have helped us to reach millions of women. Teresa personifies the definition of a Renaissance woman.

Along the way, award-winning Broadway producer and director, Bill Haber, heard about what we were doing and immediately sent funds to further our work.

To create this book, we brought together a group of experts from across the United States to work with us on this project—a book on women's retirement issues that would be available to all women for free. Like Teresa, these individuals contributed their many diverse talents but all shared in the belief that we can and must make a difference.

There are others who provided help—including all WISER Board members and its Advisory Council. Special appreciation goes to Wendy Button, Maudine Cooper, Vickie Elisa, Mary Murphree, Camille Murphy, Mary Pettigrew, Donna Purchase, Anna Rappaport, Alma Morales Riojas, Margaret Scott, as well as Jenny Backus, Laurel Beedon, Bill Benson, Chris Black, Jeremy Button, Bonnie Coffey, Cheryl Gannon, Frank Gannon, David Koitz, Reina Montes, Bobbi Munson, Kathy Stokes Murray, Grant Oliphant, Martha Patzer, Charles Richardson, and Cliff Shannon.

But, eight individuals stand out because of their individual and collective commitment to helping women get a hand up, not a hand out: Melinda Blinken, Jerry Hodge, Lyle Howland, Ellen Levine, Karen Judd Lewis, David E. Shaw, Billy Tauzin and Elizabeth Vale. Each is a WISER Hero.

A unique group of women stands out because of their courage of conviction, women who reminded me every day why what we are doing is so important: Jessica Catto, Judy Davenport, Lori Ferrell, Peggy Grossman, Coco Kopelman, Dominique Laffont, Wendy Mackenzie, Singer Rankin, Doris Reggie, Linda Smith, Allyn Stewart, Diana Walker, and Wren Wirth.

And Cindy Hounsell (WISER's president) who personifies how one person really can, and does, make a difference every day.

WISER's mission, our goal, our desire is easily stated but hard to achieve: We want to help reduce and ultimately eliminate the poverty of America's older women. Our success is measured by the knowledge that every day, the poor, older women who have for far too long been out of sight and out of mind in America, increasingly are being seen and served and respected.

We have made a good start. We have come far. We still have a long way to go. If you have any questions, comments or ideas, please send me an email at jlewis@heinzoffice.org, or send a letter to Jeffrey R. Lewis, Chairman, Women's Institute for a Secure Retirement, 1101 Pennsylvania Avenue, N.W., Suite 350, Washington, D.C. 20004.

And every day we draw inspiration from the memory of the late Senators John Heinz and Patrick Moynihan and Congressman Phil Burton—to whom this book is dedicated.

Jeffrey R. Lewis, Chairman

Chapter Five: Prescription for Your Health Care Future: What You Need for a Healthy, Worry-Free Future

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An apple a day is a great idea, but eventually, we won't be able to keep the doctor away. It is a fact of life that as we age, even if we are healthy, to stay healthy we may need preventive medicine like high blood-pressure pills or screening tests such as mammograms. And as we continue to get older, we may need a hospital, nursing home or extra care so we can stay in our own homes.

While most of us are aware of the need to plan for our financial futures, it is a good bet that many of us have not even thought about our future health care needs. Planning for health care is especially important for women because women live longer than men and spend twice as many years with some kind of disability.

To help you plan for your health care future, this chapter first outlines the Medicare programs (Parts A through D) that are currently available for older women. It also provides a brief description of Medicaid, the government health care program for those with low or no income or assets. It then describes Medigap and long-term care, two additional kinds of insurance that you may want to purchase for yourself.

Remember, an apple a day may keep the doctor away for a while, but planning for your health care future today will help to ensure that you can enjoy being an older woman, worry-free, tomorrow.

Medicare Parts A through D

Today more than 20 million older women rely on Medicare, the federal government program that provides a base of health insurance for those ages 65 and older. Understanding what each part of Medicare provides and how the parts interact will help you decide what you need to provide for yourself.

People over age 65 generally get their health care one of two ways: Original Medicare or Medicare Advantage Plans (see chart).

Medicare Has Four Parts: A, B, “C,” and D		
Original Medicare Plan Medicare provides this coverage		Medicare Advantage Plans Provided through an HMO or PPO called “Part C”
Part A Hospital	Part B Medical	
	Part B is optional	Private insurance companies approved by Medicare provide this coverage.
Part D Prescription Drug Coverage		Part D Prescription Drug Coverage
You can choose this coverage. Private companies approved by Medicare run these plans. Different plans cover different drugs.		Most Part C plans have drug coverage. If they don’t, you may be able to choose Part D coverage.
Source: CMMS <i>Medicare and You</i> , 2007		

Typically, you are eligible for Medicare at age 65 if you or your spouse paid Medicare payroll taxes while in the paid labor force. If you are divorced, and were married for more than 10 years, you may qualify for Medicare benefits based on your former spouse’s work record. For more information on who qualifies, go to Frequently Asked Questions at www.ssa.gov.

Medicare Part A (Hospital Insurance)

What is it? Medicare Part A helps pay for your inpatient care in a hospital and provides limited coverage for care and rehabilitation immediately after you get out of the hospital in a skilled nursing facility and in your home. *Many people mistakenly assume that Medicare will provide for their long-term care. It will not.*

What does Part A cover? In addition to inpatient hospital stays, Part A covers skilled nursing facilities that provide skilled nursing and rehabilitation, hospice care, psychiatric inpatient care, and some home health care such as physical therapy ordered by a doctor. However, these after-hospital services have very strict qualifying rules and are time sensitive.

Skilled Nursing Facility: While Medicare Part A does not cover typical nursing home care, it does cover care in a skilled nursing facility. However, coverage is limited to a maximum of 100 days per benefit period, with coinsurance payments required after day 20.

Home Health Care: Medicare may provide “necessary and/or intermittent” skilled nursing care, home health aids, physical therapy, and occupational therapy that are ordered by a doctor and provided by a Medicare-certified home care agency. Medicare may also provide for durable medical equipment for use at home—things like a wheelchair or walker.

Hospice Care: Medicare provides home health and other services, as well as drugs for pain relief and respite care for people with less than six months to live.

Lifetime Reserve Days: If a person is in the hospital for more than 90 days, Medicare provides a total of 60 “reserve” days that can be used over a lifetime.

For each reserve day, Medicare pays all costs except for the coinsurance.

What is not covered by Part A? Medicare does not cover care that is or becomes primarily custodial. In other words, if you have a chronic disabling condition or disease and need assistance with eating, dressing, using the bathroom, moving from the bed to a chair, or bathing (called “activities of daily living”), Medicare benefits will not cover that assistance for an extended period of time. Simply put, Medicare does not cover long-term care in a nursing home, assisted living facility, or your own home.

What does Part A cost? There is no premium for Part A if you or your spouse worked and paid FICA taxes for 10 years or more (i.e., have 40 quarters of Social Security coverage). If you don’t qualify for free coverage, you may be able to buy into the program. If your resources and income are limited, you may qualify for help from your state.

There are deductibles and coinsurance requirements for different types of covered care. For example, if you are in a skilled nursing facility, your first 20 days of each benefits period are free, but days 21-100 are \$124 per day. The rules vary by number of days, benefit period, and type of care. For more information about the Medicare Part A rules and requirements, visit www.medicare.gov or call (800)-Medicare. You may also find Medicare information at www.socialsecurity.gov or by calling (800) 772-1213 or TTY (877) 486-2048.

Medicare Part B (Medical Insurance)

What is it? Medicare Part B covers medically necessary doctor’s services, outpatient hospital care, and some other medical services that Part A does not cover. Part B is optional. It is financed through the monthly premiums paid by enrollees and by contributions from the federal government.

What does Part B cover? Part B covers your doctor’s services or outpatient hospital care and some other services not covered by Part A, such as physical and occupational therapists, and some home health care. Note: Part B does not cover routine physical exams.

Also covered by Part B are these important services for women:

- Annual mammograms for individuals age 40 or older;
- Pap smears;
- Pneumococcal vaccines;
- Hepatitis B vaccines for high-risk individuals;
- Pelvic and breast cancer screenings every three years for women, or annually for high-risk women or women with a relevant medical history, exclusive of any Medicare deductible;
- Colorectal cancer screening;
- Bone density measurements for women at risk for osteoporosis;
- Self-management training for individuals with diabetes.

What does Part B cost? If you decide to participate in Part B, you will be required to pay a Part B premium each month. As of 2007, beneficiaries with higher incomes (\$80,000 and over for individuals, \$160,000 and over for married couples) pay a higher premium based on a sliding scale. This premium is adjusted based on the cost of living and typically increases each year.

You also have to pay a deductible amount each year before Part B starts to pay. This deductible amount increases each year by the same percentage as the premium.

There is a penalty for signing up for Medicare Part B *after* you turn 65. The cost of Part B may go up 10 percent for each 12-month period that you could have had Part B but did not sign up for it. You will have to pay this extra 10 percent for the rest of your life. Don't let the sign-up date slip by. Note: There are some exceptions if you are still working and covered by an employer health plan.

Medicare Part C (Medicare Advantage)

What is it? Medicare "Part C," also known as Medicare Advantage, offers health plan options approved by Medicare but run by private companies. If you choose Part C, *you are still enrolled in Medicare*. Under Part C, health coverage is provided through private fee-for-service arrangements, managed care plans (such as HMOs) and preferred provider organizations (PPOs).

If I enroll in Part C, do I lose Part A and Part B coverage? You can enroll in Medicare Part C *in place* of Parts A and B to receive all your hospital and medical coverage.

What is covered by Part C and what does it cost? The benefits and services you may receive and the difference in what you save or spend depends on the type of Advantage plan you purchase. Generally, the fee-for-service plans are the most flexible, but they are also the most expensive. With a PPO, while you may save on premiums, you will have to pay an additional fee if you do not use an "in-network" provider.

Is Part C the right choice for me? You should make some comparisons between what the Original Medicare (Parts A and B) and what Medicare Advantage plans provide for you before you make a decision. Find out:

- Is there an Advantage Plan available in my area?
- Would the Advantage Plan be more or less expensive in meeting my needs than Original Medicare?
- Would the Advantage Plan provide more or fewer options for the kinds of care and services that I need?

If you decide an Advantage Plan is what best meets your needs, compare plans to determine which one is right for you. Find out:

- What is the premium?
- Is there a deductible—how much?
- Are there co-payments, or coinsurance costs—how much?
- Does the plan cover the extra benefits or services you need such as prescription drugs?
- Do the health care providers you normally see participate in the plan?

Medicare Part D (Prescription Drug Coverage)

What is it? Under Part D, Medicare offers prescription drug coverage for *everyone* in Medicare. Part D plans are run by insurance companies and other companies approved by Medicare. You don't have to participate in a Part D plan, and if you do not take many expensive drugs now, you may think, "Why bother?" However, it is worth considering. Many of us, as we age, will need various drugs to stay healthy. You have until three months after you turn 65 to enroll in Part D. You may have to pay a late enrollment

penalty if you wait—and you carry that extra cost for as long as you’re covered under the plan. Note: If you have Medicare Parts A and B, you **do not** have prescription drug benefits. If you participate in a Medicare Advantage plan, prescription drugs may be covered and you may not need Part D coverage. Be sure to check your plan.

What does Part D cost? Most Medicare Part D plans have a monthly premium. The Part D premium is **in addition to** the Part B premium. The premium amount you pay will vary by plan provider and by how many and what drugs the plan covers. Depending on the plan, you will also have to pay part of the cost of your prescriptions. If you have limited income and resources, you may qualify for assistance or a waiver of the premiums and deductibles altogether.

What is the donut hole? Part D drug plans may have a coverage gap, often called the “donut hole.” Once you and your plan have paid up to \$2,400 for prescriptions, you are responsible for *all* your drug costs (including the monthly premium) until you spend \$3,051.25. At that point, you will be covered again and make a small co-payment until the end of the calendar year. Note: Some Part D plans offer coverage during this gap.

How do I decide on a Part D plan? Most prescription drugs, both brand-name and generic, are covered under Medicare Part D. However, the coverage varies by plan, so you must choose carefully. When you look at plans, it helps to compare three things:

- **Cost:** What will the coverage cost you—including premiums, deductible and the payments for your drugs?
- **Coverage:** What benefits do you get? What drugs are covered? Do you need prior authorization to get a drug you need? Is the donut hole covered?
- **Convenience:** Are the pharmacies near you a part of the plan? Is there a mail-order option?

You can get current information on the Medicare drug plans by calling (800) Medicare, TTY (877) 486-2048, or by going to www.medicare.gov and selecting “Compare Medicare Prescription Drug Plans.”

Medicaid

What is it? Medicaid is a jointly-funded state and federal program that provides health care and long-term care for certain categories of people with very low or no income and resources.

Who is eligible? Medicaid is available to you and your family only if you meet the very strict federal and state income and resource requirements. How much income you may have and what resources you may keep and still qualify for Medicaid varies from state to state. (“Income” includes wages and pension payments, and “resources” can include items such as insurance policies, savings, cars, and valuables that the applicant may own.)

Medicaid also pays for long-term nursing home care for very low income elderly and disabled Medicare beneficiaries. Generally, if you apply for Medicaid to cover long-term nursing home costs, you will have to prove that your financial status meets the requirements for very low income and resources set by your state.

Note: It may be that you are ineligible for Medicaid at first, but several states allow people to enter a facility and then spend down their income and assets on nursing home bills to become eligible. However, there are many rules and regulations for “spending down.” You might want to consult an attorney or financial planner. In any case, be sure you understand the rules in your state.

Be assured, if you are married and only one of you needs nursing home care, the one not in the nursing home will not be required to become destitute in order to pay for the care of the other. In other words, you would not be required to “spend down” by selling your home to pay for your husband’s care. On the other hand, Medicaid can require some “payback” by billing his estate after he has died.

What does Medicaid cost? Depending on your state's rules, you may be asked to pay a small co-payment for some medical services. Medicaid makes payments directly to your health care provider—it does not pay the money to you. If you think you might qualify or for more information, go to: www.cms.hhs.gov/Medicaid.

Medicare Supplemental Insurance (Medigap Insurance)

If you are in the Original Medicare Plan (Parts A and B), there are gaps in Medicare’s coverage of the care and services you might need. Medigap insurance was designed to fill those gaps.

What is it? Medigap insurance helps to pay for what Medicare does not cover—things such as deductibles and coinsurance. Medigap policies are sold by private insurance companies. What plan you buy should depend on both what types of care you need and what you can afford. Note: Generally, when you buy a Medigap policy, you must have Medicare Part A and Part B. If you are in a Medicare Advantage Plan or other Medicare Health Plan, you may not need a Medigap policy. Be sure to review your plan coverage to see what is and is not covered.

What does it cover? Insurance companies can only offer “standardized” policies that follow state and federal rules. Currently, 12 different Medigap plans labeled “A” through “L” are available. Plan A covers only the basic (core) benefits. These basic benefits are included in all the Medicare plans (A through L). Medigap Plans B through J offer extra benefits or combinations of benefits. Plans K and L have benefits similar to plans A through J, but they offer lower monthly premiums and higher out-of-pocket costs. Are there specific kinds of care you need and use? Check to see if that service is covered in the plan you purchase. Note: *Medigap insurance does not cover long-term care services.*

What does it cost? Medigap policy premiums vary depending on the provider and the level of benefits provided. Before you purchase a policy, compare premiums—there can be a big difference in price from company to company for the same policy. Note: If you are married, you and your spouse must purchase separate Medigap policies. Your policy will not cover the health expenses of your spouse.

Long-Term Care Insurance

A woman age 65 today can expect to live another 19 years. That’s the good news. The bad news is the estimate that over 50 percent of women will enter a nursing home before

they die, and the current national average cost per day of a private room in a nursing home is more than \$200 or almost \$75,000 per year. In addition to having a financial impact, long-term care needs also have a family impact. A recent survey showed that one in four American households is providing some kind of caregiving support for a family member.

Will you have the resources to pay for long-term care if you need it? Would long-term care insurance enhance your personal health care future? What follows is some information to think about before you buy a long-term care insurance policy. And, if you decide that long-term care insurance is right for you, there is information on some features to look for in a policy.

What is meant by the term “long-term care?” Long-term care is different from health care. The general intent of health care is to return a person to good health, so its focus is on skilled or acute care. In contrast, long-term care focuses more on caring than on curing. Generally, long-term care provides either custodial or supervisory care when a person is unable to perform basic activities of daily living, such as eating, bathing, or dressing, because of a physical or cognitive impairment.

What is long-term care insurance? Long-term care insurance is designed to help cover the cost of certain long-term care expenses and services you might need that are not covered by Medicare or Medigap insurance. *Remember that Medicare does not cover long-term custodial care, and to qualify for Medicaid you must spend down most of your resources.* For further information on Medicaid and the resource limits, go to www.cms.hhs.gov/Medicaid.

The financial assistance that long-term care insurance provides can help you protect your assets—rather than spending down to become Medicaid eligible; stay in your own home with paid help—rather than going to a nursing home; choose the assisted living facility where you want to live—rather than going to a facility because it has an available Medicaid space.

There are three basic types of long-term care insurance: 1) Most policies are *indemnity* policies. They pay a pre-determined fixed dollar amount toward your costs for each day that you receive covered care services regardless of actual expenses. You might be insured for \$100 per day of covered care and you would pay the rest of the daily rate. 2) Another type of long-term care insurance, *expense reimbursement*, pays a portion of costs for services up to a predetermined daily or monthly limit rather than a set dollar amount. 3) The third type, *cash*, pays a specific dollar amount each day you have the impairment regardless of the actual charges for covered services received or whether you receive care every day. There are also hybrid policies that combine various elements for consumer flexibility. In each of the versions, you are responsible for any costs above the covered or defined benefit amounts of the policy.

What does long-term care insurance cost? Be aware that long-term care insurance can be expensive. Average annual premiums vary widely based on your age, the length of the policy, and what benefit options you choose. The younger you are when you apply to purchase your policy, the lower your monthly premiums will be, but of course, you will be paying those premiums for a longer period of time. Your health is also an important

factor in the premium costs. Unlike the Medicare and Medicaid programs, you must apply for long-term care insurance coverage and be accepted by the insurance company. Note: You can deduct the premiums for a qualified long-term care plan from your federal taxes if your total medical expenses, including the premiums, exceed 7.5 percent of your adjusted gross income. A number of states also offer tax credits or deductibility incentives for long-term care insurance. Additionally, if you own your own business, this insurance is deductible for you as a business owner. Be sure to talk with your accountant or tax advisor about this deduction.

Should I purchase long-term care insurance? Long-term care is an investment—you purchase it now with the intent of using it later. And like any investment, it should be carefully considered. There are numerous factors to consider when you think about whether or not to purchase long-term care insurance—among them are your age, your health and your family’s health history, and, very important, your finances—how would the premiums fit into your monthly or yearly budget. As a younger, healthier person, your premiums probably will be lower, but remember, you will be paying them for a longer time. As an older person, your monthly premiums will be higher, but you will pay them for a shorter time. On the other hand, if you wait too long, you might not qualify for a policy because you have a pre-existing condition or overall bad health.

What should I ask myself before I purchase a long-term care insurance policy?

- Is my family able to provide some or all of the care I might need?
- Are there health conditions or health trends in my family that are associated with chronic illnesses that could lead to the need for long-term care? For example, stroke, osteoarthritis or diabetes.
- What do various types of long-term care cost in my area—per day and per year?
- What can I afford to pay for long-term care insurance?

Long-term care policies vary widely in cost, benefit amounts, and coverage. While many of us do not have the time or the expertise to make an informed decision about whether or what to buy, there are people who can help. If you decide to work with an advisor, *be sure to go to someone who has no financial stake in your purchase of an insurance policy.*

What should I ask before I purchase a long-term care insurance policy?

There are numerous long-term care insurance policies being sold today. Here are some questions to ask as you compare the various policies.

- Will the insurance premiums I pay now remain level or increase as I get older?
- Is the benefit amount inflation-protected? How much will this protection increase the monthly premium?
- What is the daily benefit amount or percent of cost that the policy will pay for care in each venue covered by the policy?
- Will the policy cover assistance in my home, an adult daycare facility, an assisted living facility, or a hospice, as well as skilled, intermediate, or custodial care in a nursing home?
- Will the policy allow a family member or friend to provide care? This is called “informal caregiving,” care provided by someone who is not a licensed care provider.
- What is the length and definition of the waiting period before any benefit will be paid and is there a deductible?

- How long over the life of the policy will benefits be paid?
- Are premiums waived when I am receiving care?
- What payment options are available? What would be best for me?

For more information about long-term care insurance, get a copy of *A Shopper's Guide to Long-Term Care Insurance* from either your state insurance department (or call (800) Medicare to get their number) or the National Association of Insurance Commissioners, 2302 McGee Street, Suite 800, Kansas City, MO, 64108. You may also call your State Health Insurance Assistance program.

Conclusions

Just as financial planning can help insure that our retirement income goals are met, planning can help insure that our health and long-term care needs are met as well. Understanding what the four parts of Medicare provide and what is available for those with low and no income or assets through Medicaid can help us plan what we need to do now to provide for our futures and enjoy being older women. Keep eating that apple a day, but take the time to plan for your health and long-term care future.

WISER FACT SHEET

10 Questions to Ask Before You Buy Long-Term Care Insurance

1. Does the policy include protection against inflation?

The benefits paid by the policy should increase with the rate of inflation; otherwise, your policy may be worth very little by the time you want to use it.

2. Does the policy guarantee that premiums remain level?

If you bought your policy at age 60, the insurance company will always charge you the same rate as other 60-year old policyholders. Once you buy the policy, the company can't raise your rates because of your age (but it can raise rates for an entire class of insured individuals). Some policies guarantee that the rate will not change for a specific period of time.

3. Does the policy cover home health care benefits and all levels of nursing home care including skilled, intermediate and custodial care?

Classic policies cover nursing home care and can have a rider to cover home health care. Integrated policies provide a pool of funds that can be used for a range of long-term care services.

4. Does it provide comprehensive benefits for both home care and nursing home care?

Make sure that the policy covers less severe impairments and provides services that help you remain in your home.

5. Is the policy renewal guaranteed?

Policies that qualify for federal tax deductions must have the renewal guaranteed, meaning that the policy cannot be canceled if you pay the premiums on time. Other policies are conditionally guaranteed and the company could cancel coverage for a group but not for you as an individual member of the group.

6. Is the maximum benefit period one year or more?

The benefit period can vary from one year to a lifetime. You may also be able to choose to have coverage for a maximum number of days or maximum amount of benefits paid.

7. Is the deductible affordable and does the policy have a waiting period of 100 days or less?

The deductible period is also called the waiting or elimination period. Most policies require that you pay for needed care from your own money for a certain number of days before the policy starts to pay for the services.

8. Once approved for coverage, will the policy cover pre-existing conditions or limit coverage for certain conditions?

Some policies exclude preexisting conditions, or certain diseases like Alzheimer's disease. Since Alzheimer's is a major reason for nursing home admissions, make sure you know if your policy will cover you or your spouse if you develop Alzheimer's disease.

9. Will you be able to keep up on the premium payments?

Important provisions, such as inflation protection and non-forfeiture, increase the cost of the benefit but also increase the value of the policy.

10. Have you learned as much as you can about the insurance company?

Try to choose a company that will be financially sound in the future, has an excellent reputation, and has a strong customer service record. Ratings by independent companies such as Standard and Poor's, Moody's or A.M. Best are available at public libraries.

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