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## Living at Home Brings Peace of Mind

Long-term care and reverse mortgages create the ideal partnership for seniors wanting to stay in their homes

by Michael Banner

[**Editor's Note:** This article is reprinted with permission. It was initially published in the May 2011 issue of *The Reverse Review*. For more information, visit [www.reversereview.com](http://www.reversereview.com).]

**A**s most of you know, I feel very strongly that educating the trusted senior advisors in this nation on the true strengths of the reverse mortgage is the single most important factor of our industry's survival and growth. Until we show the financial community that the reverse mortgage is not just a "needs-based product" or "product of last resort," the struggles we are all facing right now will continue, or even worsen.

No consultant is looked to more in a senior's life as his or her long-term care advisor.

In the past I have written about the relationship of long-term care and reverse mortgages and I was very surprised at the negative comments I received. I have referred to the Use Your Home to Stay at Home study that was completed by Dr. Barbara Stucki and the National Council on Aging (NCOA), endorsed by many major players in our industry, including the MetLife Mature Institute. I was still accused of using this study as a "sales pitch" for reverse mortgages.

Fear and ignorance (that's right, I said it) seem to be running rampant in our great industry as guidelines and new regulations continue to tighten around us.

But this is an important subject and it deserves to be discussed.

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I think one of the greatest misconceptions is that the long-term care industry is often confused with long-term care insurance. And of course, if we talk about any insurance in the same sentence as a reverse mortgage, the fear I mentioned above turns into pure panic as the thought of cross-selling sends everyone into their homes to hide under their beds. But we will leave this subject for last.

The truth of the matter is, the long-term care industry has many facets of which insurance is just one. In-home care (which is not always covered by Medicare), for the elderly population is by far the largest segment of long-term care and touches so many families worldwide.

The Use Your Home to Stay at Home theory is not a sales pitch for reverse mortgages in any way, shape or form. It ultimately offers alternatives to a senior who may not be ready or willing to go into a retirement home.

Obviously health and safety issues for the senior must take precedence even over their desire to remain at home, but there are tens of millions of seniors who are quite able to age in place but are not aware of the services available to assist them in that goal, and if they are aware, they feel as if they are unable to afford them. Making their home a safe and secure place for them to be during this portion of their lives when their health may be declining is a very obtainable goal. Bringing professional services into the home is a very viable option for many seniors. The standard thought process for this has always been to assume that Medicare and some type of Medicare supplemental policy would cover these services, but in fact that is not true.

Having a health care professional come to your home on a weekly basis to monitor medications, check vital signs and attend to basic needs certainly has a cost to it, but in comparison to the average cost of a living facility in this nation, it is a very viable option.

Making a senior's home safer and easy to navigate can also be an expensive endeavor but may

be well worth the investment for a senior to maintain their independence and live where they feel most comfortable.

Here are a few examples of what can be done:

1. Replace an old-fashioned tub with a step-in shower with a built-in seat.
2. Install handrails in the shower, next to the toilet and possibly in the hallways.
3. Install ramps between bedrooms and living areas of the home.
4. If the master bedroom is located upstairs, a chair-lift can make life so much better.

These are just a few options of what can be done for a senior to allow them to stay in their home and have the peace of mind to know they are safe.

Now, let's talk about the elephant in the room. Is it legal, ethical or moral to use the proceeds from a reverse mortgage to purchase long-term care insurance?

For those of you who are not involved in the long-term care insurance industry, it is being totally reshaped at this point in time (much like the mortgage industry). Major carriers have withdrawn from the market; premiums are being increased at record levels; and present products are being scrutinized. Yet many great long-term care insurance products still exist. Let's look at a few of the options available today.

Certain linked products have gained popularity over the last 18 to 24 months. A linked product is defined as one that offers two separate financial vehicles within the same policy. It could be the combination of long-term care insurance and life insurance, or it could be the combination of long-term care and an annuity product.

These products are single-premium, and require a sizable upfront investment. They offer "multiples" of coverage for long-term care and life insurance depending on the client's age and health. In the case of the linked annuity product, there is usually a guaranteed interest rate of return as well.

**Is it legal, ethical or moral to use the proceeds from a reverse mortgage to purchase long-term care insurance?**

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Michael Banner, is the founder of LoanWell America, Inc. and the American C.E. Institute, LLC. He can be reached at [Michael.Banner@LoanWellAmerica.com](mailto:Michael.Banner@LoanWellAmerica.com).

Is it logical for a person to secure a fixed-rate reverse mortgage and use the proceeds to fund one of these products? I have done much research on this and I must say that in most cases it is not a good decision. There are times it may make sense, but under most circumstances the long-term costs of the reverse mortgage outweigh the potential benefits of the policy.

Still, as these products continue to evolve, we should all stay informed on the rates of returns and the multiples they offer.

And what of the traditional long-term care insurance products; the five-, seven- and 10-year pay periods?

Does it make sense to fund these monthly insurance premiums with the proceeds of a reverse mortgage? Well, even though this may appear to be a simple “yes” or “no” question, it is not. The answer to this question depends on many variables: the age and health of the clients; the amount of the monthly premiums; the amount of the benefits of the proposed policy; their present level of income and assets; and whether they have allocated a certain amount of their assets for long-term care or unplanned medical expenses.

The answers to these questions determine if using a reverse mortgage to fund long-term care insurance makes sense for that individual scenario. To take a position of yes or no on this very important decision without knowing all the facts above (and more) is not only wrong; it is short-sighted and narrow-minded.

Improper cross-selling—cross-selling of products to earn a fee or a commission that does not truly

benefit the client’s quality of life on a long-term basis—is wrong, unethical and immoral. But the cross-selling of a product—any product—that truly benefits the client, protecting his current assets and offering protection against the ever-rising costs of health care in this country at a time when the client’s assets are diminishing is well worth considering!

Reach out to the long-term care experts in your community. We may not be qualified to answer many of the questions above, but they are. Don’t turn a blind eye to helping seniors in this fashion because the phrase “cross-selling” brings fear to so many in our industry.

The bottom line is modern medicine and scientific breakthroughs have extended life spans way beyond what was predicted. This fact has brought the reverse mortgage from relative obscurity right to the forefront of the industry. Unfortunately it has also brought us under the microscope of certain members of Congress and regulators to make sure we do what’s right. That is why we must always put the client’s needs first.

Suitability, suitability, suitability...

That same modern medicine and those same scientific breakthroughs are also causing the long-term care insurance industry to totally rethink their product. We serve the same people! We have the same goals! Shouldn’t we be working together?

Here’s my best advice, which I learned from Tony Robbins: “The mind is like a parachute; it works best when it is open.”

Have a great month and let’s help as many seniors, in as many ways, as we can. ■

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