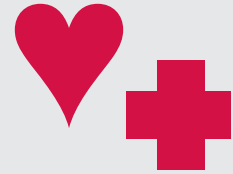


Life & Health Insurance Advisor



8084 Watson Rd. Suite 100
St. Louis, Mo 63119
Tel 314-849-6363
Fax 314-849-9292
www.archbrokerage.com



Life Insurance

October 2010

Volume 3 • Number 10

Whole Life Insurance: Not Your Father's Investment

Many people think that when it comes to life insurance, they have only two choices: term or whole life. That's not entirely true—today's whole life insurance is a lot more flexible than your father's life insurance policy. Read on to find out more about the different types of whole life insurance, and how they can enhance your investment portfolio.



Whole life, universal life and variable life are all cash value policies. These types of policies combine life insurance coverage with a long-term savings and investment product.

Whole life is the traditional cash value life insurance product. As long as you pay your premi-

ums, it will provide a guaranteed death benefit (the face value) to your beneficiary when you die, no matter how long you live.

Once you buy a whole life policy, your premiums remain the same for your entire life, no matter your health status. You can select a policy that's "paid up" at a specific age, such as 65 or 85, or one that's paid up after

a specific number of payments, such as 10 or 20. You can even buy a single-premium policy, which, as the name implies, requires only one payment.

Over time, whole life policies also accumulate cash value. This differs from the face value, or death benefit. Insurance laws in your state of residence at time of

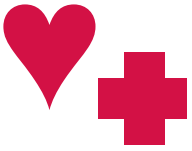
This Just In...

So much for clean living! Although healthy retirees have lower current healthcare costs, over their lifetime they will pay more for healthcare than unhealthy ones, due to longer lifespans.

Earlier this year, the Center for Retirement Research at Boston College released a study titled "Does Staying Healthy Reduce Your Lifetime Health Care Costs?," in which researchers estimated the present value of lifetime healthcare costs for a couple turning 65 in 2009. Where one or both spouses suffer from a chronic disease, they can expect total lifetime healthcare costs of \$220,000, including insurance premiums and the cost of nursing home care. Further, 5 percent of these unhealthy retirees can expect to spend more than \$465,000.

Couples free of chronic disease will pay substantially more, an estimated \$260,000, with 5 percent paying more than \$570,000. What do these findings mean for you?

"The reality is that even the currently healthy can expect to eventually suffer from one or more chronic diseases, which often results in high out-of-pocket and long-term care costs. Households that delay purchasing [Medigap] insurance until their health declines run the risk of facing higher premiums, or for long-term care insurance, being denied coverage altogether." For information, please call us.



Planning for End-of-Life Care Decisions

With advances in medicine come more decisions about the dying process. As hard as it might be to face the idea of your own death, deciding what end-of-life care best suits your needs when you are healthy can help those close to you make the right choices when the time comes and make an already stressful time a little easier.

Advanced Directives and Other Documents

Written instructions letting others know the type of care you want if you are seriously ill or dying are called “advance directives.” These include a *living will* and health care power of attorney. A *living will* records your end-of-life care wishes in case you are no longer able to speak for yourself. You might want to talk with your doctor or other health care provider before preparing a living will to gain a better understanding of what types of decisions might need to be made. Make sure your doctor and family have seen your living will and understand your instructions.

Because a living will cannot give guidance for every possible situation, you probably want to name someone to make care decisions for you if you are unable to do so for yourself. You might choose a family member, friend, lawyer or someone in your religious community. You can do this either in the advance directives or through a *durable*

power of attorney for health care that names a *health care proxy*, who is also called a *representative, surrogate, agent, or attorney-in-fact*. “Durable” means it remains in effect even if you are unable to make decisions. A durable power of attorney for health care is useful if you don’t want to be specific—if you would rather let the health care proxy evaluate each situation or treatment option independently. A durable power of attorney for health care is also important if your health care proxy, the person you want to make choices for you, is not a legal member of your family.

Don’t confuse a *durable power of attorney for health care* with a *durable power of attorney*. The first is limited to decisions related to health care, while the latter covers decisions regarding property or financial matters.

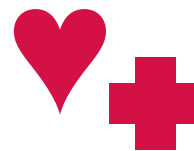
A lawyer can prepare these papers, or you can do them yourself. Forms are available from your local or state government, from hospitals and private groups, or on the Internet.

Review the decisions in your advance directives from time to time and make changes if your views or your health needs have changed. Be sure to discuss changes with your health care proxy and your doctor. Replace all copies of the older version with the updated ones, witnessed and signed if appropriate.

You should also give permission to your doctors and insurance companies to share your personal information with your health care proxy. This lets that person discuss your case with your doctor and handle insurance issues that may come up.

Do you live in one state, but spend a lot of time in another? Because states’ rules and regulations may differ, make sure your forms are legal in both your home state and the state you travel to often. If not, make an advanced directive with copies for that state also. And make sure your family there has a copy. ■





LIFE INSURANCE—continued from Page 1

purchase determine the minimum cash value an insurance policy must return; the rate is guaranteed. In most cases, the cash value grows tax-deferred.

A policy's cash value gives you another source of funds you can tap after a specified number of years. You can take out a loan against your policy's cash value or, if you no longer need the coverage, you can surrender the policy for the entire cash value.

Variable life insurance, like traditional whole life, provides a death benefit and builds cash value. However, you can invest your premiums in stocks, bonds and mutual funds that offer different degrees of risk and reward. With a whole life policy, your death benefit and cash value are guaranteed, but with a variable life policy, they vary with the performance of your investments. Most policies guarantee a minimum death benefit; they do not guarantee a minimum cash value.

Universal life insurance also provides a

death benefit and builds cash value, usually at a money market rate. Once the cash value reaches a certain specified amount, you can alter your premium payments. If cash is tight, you can make lower premium payments, as long as you don't use up the accumulated savings. And if you qualify, you may be able to increase your death benefit.

However, with a universal life policy, you must be careful to make sure to pay enough premium to maintain coverage, otherwise the policy will lapse. Your cash value account can disappear faster than you might expect if interest rates fall below projections, or the insurer's cost of coverage or administrative expenses rise. You can buy a policy with a "secondary guarantee," otherwise known as a "no-lapse guarantee" that will maintain your coverage even if these events occur.

According to the Life and Health Insurance Foundation for Education, universal life policies with secondary guarantees have be-

come popular for estate planning, since they "...provide lifelong coverage at rates that can be considerably lower than other forms of permanent insurance." With the estate tax repeal possibly expiring, a universal life policy with secondary guarantees could help protect your estate by giving you the flexibility to adjust your premiums as needed.

Variable universal life insurance combines features of both variable and universal life policies. As in variable life, you can allocate premiums to a variety of investment options. And as in universal life, your premium payments are flexible, within certain minimums and maximums. Additionally, as long as your health permits, you can usually increase or decrease your death benefit amount.

Each of these types of insurance has its place in estate planning; for information on the type that meets your needs best, please contact us. ■

ASSISTED LIVING—continued from Page 4

have health services on site.

In most cases, assisted living residents pay a regular monthly rent, with additional fees for the services they get. Not all assisted living facilities provide the same services, so please contact the facility and make sure it can meet your needs.

Continuing Care Retirement Communities (CCRCs)

CCRCs offer more than one kind of housing and different levels of care for retirees. The community may include individual homes or apartments for residents who live on their own, an assisted living facility for people who need some help with daily care, and a nursing home for those who require more care.

Residents move from one level to another based on their needs. Your CCRC contract usually requires you to use the CCRC's nursing home if you need nursing home care.

Some CCRCs will only admit people into their nursing home if they have previously lived in another section of the retirement community, such as their assisted living or an independent area.

If you are considering a CCRC, be sure to check its nursing home. You can find the nursing home's quality information on Medicare's Nursing Home Compare tool at www.medicare.gov/nhcompare. In addition, the nursing home's inspection report should be posted in the facility itself.

Many CCRCs generally require a large payment before you move in (called an entry fee) and charge monthly fees. Find out if a CCRC is accredited and get advice on selecting this type of community from the Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission (CARF-CCAC) by visiting www.carf.org.

Hospice Care

Hospice care aims to provide comfort for terminally ill patients (with six months or less to live) and their families, not to cure illness. Hospices provide medical and support services, including nursing care, medical social services, doctor services, counseling, home-maker services and others. With hospice care, you will have a team of doctors, nurses, home health aides, social workers, counselors and trained volunteers to help you and your family cope with your illness. Depending on your condition, you may get hospice care in a hospice facility, hospital or nursing home.

No retirement plan is complete without considering your long-term care needs. For more information how long-term care insurance can help you meet those needs without depleting your estate, please contact us. ■



Alternatives to Nursing Home Care



Fourteen percent of people age 65 or over need long-term care. Among those 85 or older, half need some long-term care, according to the Georgetown University Long-Term Care Financing Project. If you don't like the sound of a nursing home, relax—today's long-term care insurance policies can cover many other long-term care options.

The 2008 LTCI Sourcebook from the American Association for Long-Term Care Insurance says that 43.0 percent of long-term care insurance claims paid for home care, 30.5 percent paid for assisted living, and 25.7 percent paid for nursing home care. What are the differences between these levels of care?

Home Care

With home care, the individual stays at home while receiving low-level care on a regular basis. Home care works best for those who can still do most of the “activities of daily living” themselves — eating, dressing, bathing and toileting — but need help with other personal activities, such as laundry, shopping, cooking and cleaning.

Medicare only pays for home care if you meet certain conditions; however, many long-term care insurance policies provide benefits for home care.

Assisted Living Facilities

These facilities provide help with activities of daily living such as bathing, dressing and using the bathroom. They may also provide additional services, such as helping people take medicine, get to appointments or prepare meals.

Residents often live in their own room or apartment within a building or group of buildings and have some or all of their meals together. Social and recreational activities are usually provided. Some of these facilities

ASSISTED LIVING—continued on Page 3

What People Pay for LTCI

How much does long-term care insurance (LTCI) really cost? Many mistakenly believe that LTCI costs thousands of dollars a year. However, your age at the time of application plays an important role in determining your premiums. According to a study by the American Association for Long-Term Care Insurance, 41.5 percent of buyers under age 61 pay between \$500 and \$1,499 per year, while only 20.8 percent of buyers ages 61-to-75 pay within this range. “The typical buyer today is in their 50s,” said Jesse Slome, executive director of the association. “That’s when you can lock-in lower costs and more important qualify for significant health discounts that you don’t lose when your health changes.”

The association also gives the following tips for saving money on your long-term care insurance premiums:

- 1 Leverage Your Good Health:** Insurers will require you to meet certain health qualifications to obtain coverage. In 2009, 62 percent of applicants between ages 40 and 49 qualified for coverage. The percentage drops to 46 percent for ages 50-59 and only 38 percent for ages 60-69. Once obtained, you do not lose the preferred health discount when your health changes.
- 2 Right-Size Your Coverage:** Some long-term care insurance is better than none. Factor in other sources of in-

come such as Social Security, pension and 401(k) plans that can pay costs and allow you to add money-saving options such as a 90-day deductible (elimination period) or consider a limited-pay plan with a shared care option that allows two spouses to share a common benefit pool.

- 3 Compare Coverage:** Each insurer establishes its own rates, health standards and available discounts. As a result, [the cost of] virtually equal protection from two highly-rated insurers can vary by between 30 and 80 percent. Ask your insurance professional if they have access to policies from just one or from multiple insurers. ■