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## Smart Policy

Experts offer tips on navigating the maze of long-term care insurance.

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While long-term-care insurance (LTC) is commonly perceived as a product geared toward seniors, there are reasons for purchasing coverage in your 40s, 50s — or even 30s. In addition to taking advantage of lower premiums, younger purchasers in good health can avoid the risk of being turned down later if their health deteriorates.

As more and more people become aware of the costs of long-term care, the popularity of LTC insurance is rising. But for many people, the idea of purchasing it can be a confusing prospect.

In general, LTC insurance provides benefits when covered individuals sustain an illness or a condition that limits their ability to perform certain normal daily activities (as certified by a physician). LTC pays for nursing-home care, rehabilitative and therapeutic care and assisted care in the home.

When deciding between various LTC policies, you'll want to do some research on the specific coverage offered, as well as insurance companies and agents, advises Carly Glick, communications director for the Ohio Department of Insurance.

"LTC is still a fairly new product and it can seem complicated to consumers," she explains. "Every policy is different, so it's really important to talk to several different financial advisors before making a decision. [It's wise to] also have a family member or friend at the meetings so that you can get a different perspective."

Glick adds that LTC makes sense for some consumers, but it's not appropriate for everyone. "The coverage is expensive, especially if it's never used," she says.

To answer questions about LTC policies, the department of insurance has set up a toll-free line (800/686-1578) that is staffed Monday through Friday by trained specialists. Prospective purchasers can also visit [www.longtermcare.gov](http://www.longtermcare.gov) to request an information kit.

Despite the abundance of LTC policies on the market, the underlying framework of all policies is very similar, says David Seiger, vice president of long-term care at Beachwood's Berson-Sokol Agency.

Choosing a benefit amount is one of the key factors when purchasing a policy, notes Seiger. "You need to pick a daily or monthly benefit amount that covers your needs. A good way to do that is to decide how much of your monthly income you want to allocate for long-term care if you need it. Then decide how much you want the LTC policy to pay for."

When choosing a benefit period, Seiger says most people opt for three to six years of coverage. "If you have a pre-existing condition, you'll need to find a company that is best suited for you," he notes.

"To select an agent, I would ask them how many LTC policies they've sold and if they have any specific LTC credentials or designations," Seiger says.

### Beat the Clock

Your retirement is fast approaching and you're looking forward to the prospect of no more alarm clocks and time clocks. But before you leave your employer, you'll need to decide what to do with the 401(k) plan that you've been pouring money into.

The popular retirement account permits employees to contribute pre-tax funds into a variety of investment vehicles. The accumulated assets grow on a tax-deferred basis and can be withdrawn penalty-free after the age of 59 1/2. Withdrawing money before this age will result in a stiff penalty.

As you prepare for retirement, experts say one of the first steps is to assess your lifestyle and financial situation, including recurring expenses as well as projected income from retirement accounts and personal savings accounts.

"It's important to take stock of your retirement picture well before you actually leave your job," says Judy Caine, a financial advisor with Financial Network Investment Corp. in Solon. "You need to take into account whether you will stay in your current house or downsize, move to another state or go back to work on a part-time basis. The answers may influence your decision to retire."

### Popular Options

» **Keep your money in the 401(k):** Your company may allow you to park your money in the account and withdraw it at a later date. If that's the case, you'll have to start withdrawing the money at the age of 70 1/2 or face a penalty. This option makes sense if you have other financial assets to fund your retirement.

» **Take a lump-sum withdrawal:** If you need the money or feel that you can effectively invest the funds yourself, you can elect to receive a lump sum. Keep in mind that you will be charged income tax on the entire amount of the withdrawal. Some plans allow participants to take withdrawals in installments.

» **Rollover to an IRA:** You can roll over the lump sum of your 401(k) into a traditional IRA. The IRA can be held at a bank, brokerage firm, credit union or mutual fund company. The advantage of the rollover is that you'll retain the tax-deferred status of the account while gaining a wide range of investment options.

» **Convert into an annuity:** Your 401(k) plan may allow you to convert all or a portion of your assets into an annuity. As an insurance product, the annuity grows on a tax-deferred basis. At some point, the account can be annuitized to provide fixed income payments for life or a specific period.

No matter which option you choose, **Jon Dauphiné, AARP's director of economic security strategy**, says you'll want to carefully consider your investment strategy.

*"As we get older, the common wisdom is to reduce the risk profile of our investments, shifting money from higher-risk stocks into lower-risk investments such as bonds and CDs," says Dauphiné. "But now that people are living longer, they should have some exposure to the stock market so that their investment portfolio keeps pace with inflation."*

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