



May 21, 2004



"A wise man should consider that health is the greatest of human blessings, and learn how by his own thought to derive benefit from his illnesses."

- Hippocrates

Long-Term Care Needs

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Long-Term Care Needs

Introduction

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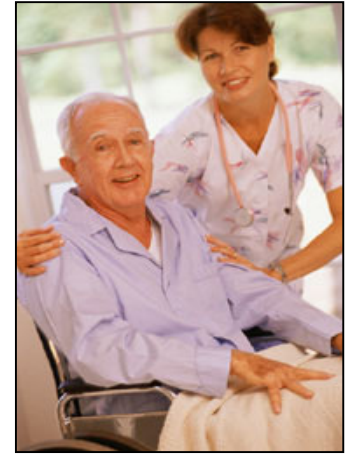
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What Is Long-Term Care?

Long-term care may be needed in the future if you can no longer perform everyday task by yourself. These tasks comprise the inability to perform two or more of the activities of daily living such as: bathing, dressing, eating, toileting, transferring or continence. In addition, long-term care may be required if you have a severe cognitive impairment such as Alzheimer's disease. You can receive this care in a variety of settings, including your home, an assisted living facility or a nursing home.

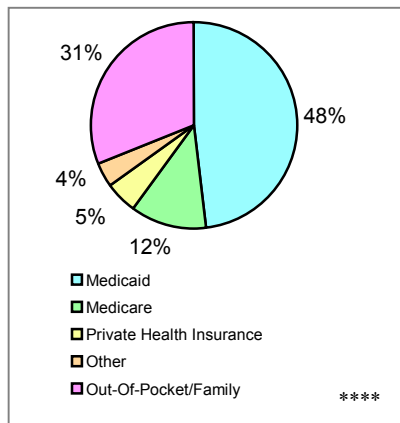
Long-term care is not the type of care that you receive in a hospital or your doctor's office. It isn't the medical care you need to get well from a sickness or injury. Further, long-term care is not always administered in a nursing home. In fact, more than 80% of all people receiving long-term care assistance are not in nursing homes.*



Why Would I Need It And What Does It Cost?

The need for long-term care usually arises from age or chronic illness, injury or disability. In fact, approximately 60% of us who reach age 65 will need long-term care at some time in our lives.** However, many don't realize that the need for long-term care can happen at any time. Statistics show that 40% of people receiving long-term care services are working-age adults, between the ages of 18 and 64.**

Nursing home care is expensive: the national average of a semi-private room in a nursing home is \$52,000 annually. These costs can be significantly higher depending upon where you live and the type of facility you prefer. Home health care is expensive too: the national average annual cost of home health care is well over \$20,000. This is expected to climb to \$68,000 by 2030.***



Who Will Pay The Cost?

If you, your spouse or family member were to require long-term care, you could end up, not only depleting your hard-earned assets, but put an unnecessary financial burden on your family. Disability and health insurance are not designed to cover long-term care assistance or facility expenses.

Medicaid is designed to protect those with minimal assets. To qualify, many people "spend down" nearly all of their assets. Medicare only pays limited amounts for skilled care following a hospital stay. It does not cover purely custodial care, the type that's required by most people in nursing homes.

Ultimately, you will be responsible for any long-term care expenses you incur.

* Mebane, F., *Want to Understand How Americans Viewed Long-Term Care in 1998?* *The Gerontologist*, Vol 41, Feb 2001

** *Where Does the Population Live and Who Cares For Them?* U.S. General Accounting Office 1/01

*** "Can Aging Baby Boomers Avoid the Nursing Home?", Stucki, B. and Mulvey, J., *American Council of Life Insurers*, Mar 2000

**** *Office of National Health Statistics, 1997*

Long-Term Care Needs

Input and Analysis

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Long-Term Care Assumptions And Objectives

Current Age
 Age To Begin Long-Term Care Needs
 Annual Cost Of Long-Term Care Needs
 Number Of Years Funds Are Needed
 Estimated Annual Long-Term Care Insurance Premium

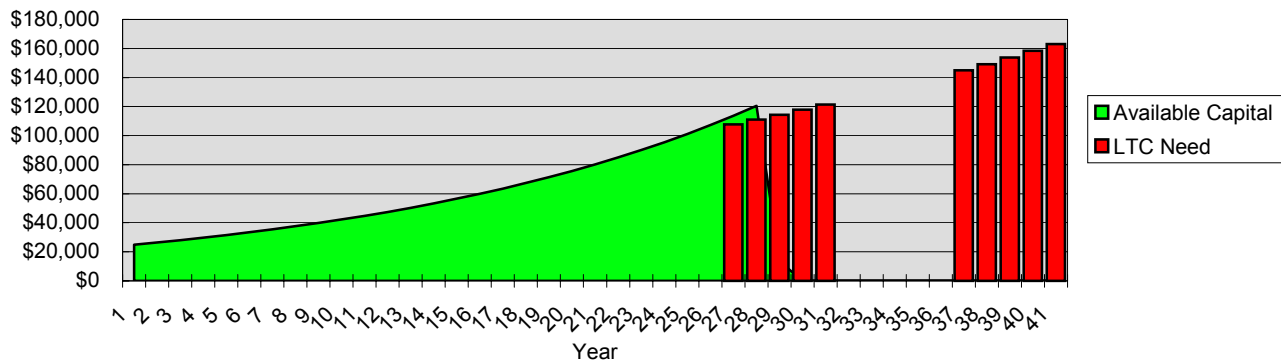
You	Spouse
44	54
80	80
\$50,000	\$50,000
5	5
\$1,500	\$1,500

Current Funds Set Aside For Long-Term Care Needs
 Annual Increase In Long-Term Care Expenses
 Investment Return On Existing Savings
 Average Tax Rate On Investments

\$25,000
3.00%
8.00%
25.00%

How Long Will The Current Savings Last?

Self-Insure Your Long-Term Care Needs



Year	Beginning Capital	LTC Need	Net Capital	After-Tax Interest	Ending Balance
1	\$25,000	\$0	\$25,000	\$1,500	\$26,500
3	28,090	0	28,090	1,685	29,775
5	31,562	0	31,562	1,894	33,456
7	35,463	0	35,463	2,128	37,591
9	39,846	0	39,846	2,391	42,237
11	44,771	0	44,771	2,686	47,457
13	50,305	0	50,305	3,018	53,323
15	56,523	0	56,523	3,391	59,914
17	63,509	0	63,509	3,811	67,319
19	71,358	0	71,358	4,282	75,640
21	80,178	0	80,178	4,811	84,989
23	90,088	0	90,088	5,405	95,494
25	101,223	0	101,223	6,073	107,297
27	113,735	107,830	113,735	6,824	120,559
29	13,493	114,396	0	0	0
41	0	163,102	0	0	0

Long-Term Care Needs

Funding Options

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Summary

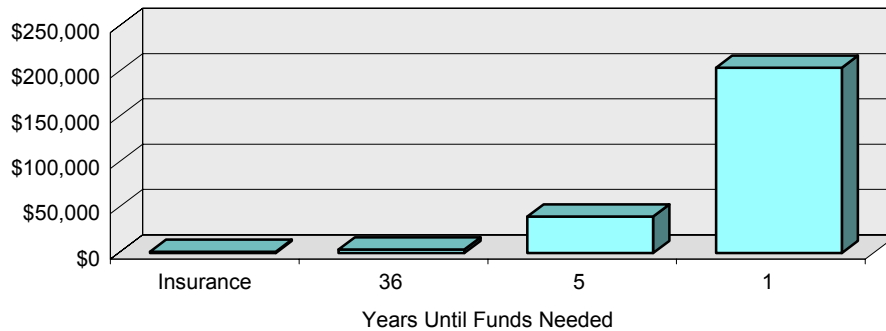
Your future long-term care needs total \$769,368. You have available assets of \$25,000. To self-insure the shortfall you will need to save \$3,810 per year or you can set aside a lump sum of \$59,041 today and let it accumulate interest until needed. Alternatively, you could consider purchasing a long-term care insurance policy to cover the potential future expenses at an approximate monthly cost of \$125.

Annual Savings Required To Self-Insure

Years Until Funds Are Needed For Steve
 Lump-Sum Required To Fund Shortfall
 Annual Savings Required To Fund Shortfall

	36	5	1
Lump-Sum Required To Fund Shortfall	\$59,041	\$179,653	\$204,558
Annual Savings Required To Fund Shortfall	\$3,810	\$40,235	\$204,558

Annual Savings Required

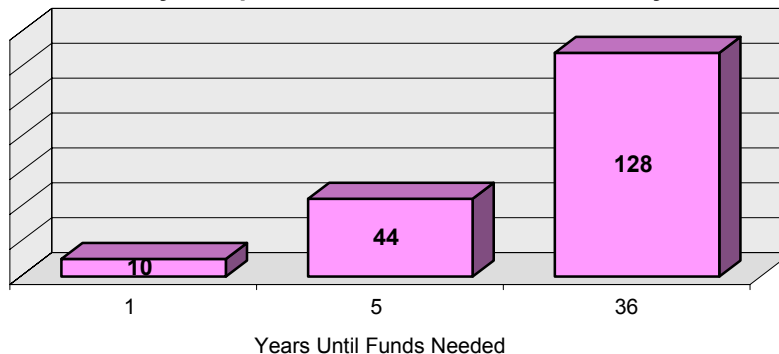


Break Even Analysis

Total Premiums Paid
 Average Daily Future Benefit
 Days Of Long-Term Care Receipts To Break Even

	36	5	1
Total Premiums Paid	\$54,000	\$7,500	\$1,500
Average Daily Future Benefit	\$422	\$169	\$150
Days Of Long-Term Care Receipts To Break Even	128	44	10

Days Required to Recover Premium Outlay



These projections are hypothetical. This information is meant to provide you with a general idea about your long-term care needs. The results given are for illustrative purposes only and do not represent the actual performance of any current or future investment. Rates of return will vary over time, especially for long-term investments.

Long-Term Care Needs

Funding Options

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Summary

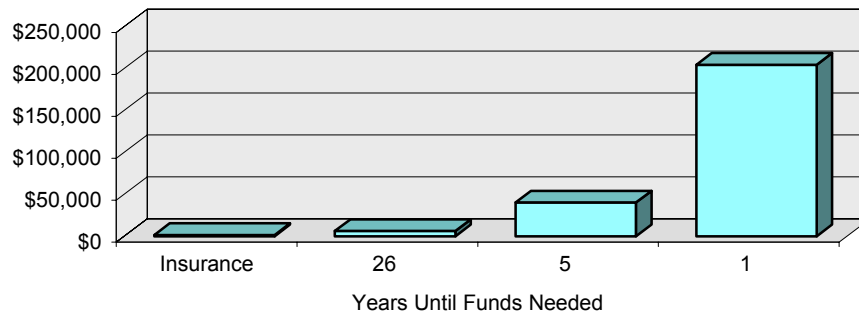
Your future long-term care needs total \$572,482. You have available assets of \$25,000. To self-insure the shortfall you will need to save \$6,311 per year or you can set aside a lump sum of \$86,989 today and let it accumulate interest until needed. Alternatively, you could consider purchasing a long-term care insurance policy to cover the potential future expenses at an approximate monthly cost of \$125.

Annual Savings Required To Self-Insure

Years Until Funds Are Needed For Susan
Lump-Sum Required To Fund Shortfall
Annual Savings Required To Fund Shortfall

	26	5	1
Lump-Sum Required To Fund Shortfall	\$86,989	\$179,653	\$204,558
Annual Savings Required To Fund Shortfall	\$6,311	\$40,235	\$204,558

Annual Savings Required

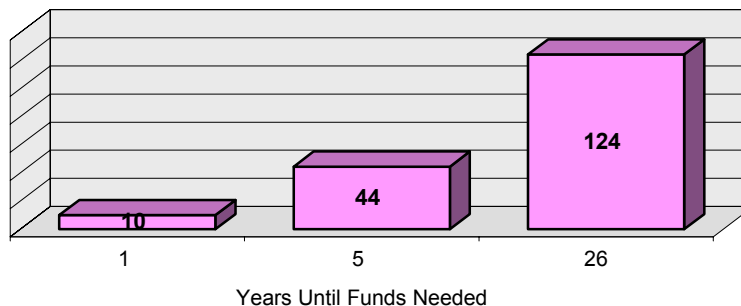


Break Even Analysis

Total Premiums Paid
Average Daily Future Benefit
Days Of Long-Term Care Receipts To Break Even

	26	5	1
Total Premiums Paid	\$39,000	\$7,500	\$1,500
Average Daily Future Benefit	\$314	\$169	\$150
Days Of Long-Term Care Receipts To Break Even	124	44	10

Days Required to Recover Premium Outlay



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Long-Term Care Needs

Points Of Discussion

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Activities Of Daily Living (ADLs)

The basic activities of caring for oneself: eating, dressing, bathing, using the bathroom ("toileting"), moving back and forth from a bed to a chair ("transferring") with or without the aid of equipment, and remaining continent. Companies use the inability to perform a specified number of ADLs to help determine eligibility for benefits.

Benefit Period

The length of time your insurance will last if you receive care every day at a cost equal to or more than your daily benefit amount. If your care costs less, your insurance will last longer than the benefit period. The benefit period is used together with your daily benefit amount to calculate your maximum lifetime benefit. Most long-term care insurance plans provide a choice of three benefit periods - 3 years, 5 years and unlimited.

Facilities Only Option

An option under a long-term care policy that covers services provided in a nursing home or assisted living facility, hospice care in a facility, and respite services in a facility, bed reservations and caregiver training.

Home Health Care

A program of professional, paraprofessional or skilled care provided through a Home Health Care Agency to a patient in his or her home. Home Health Care may include nursing services provided by a (1) Registered Nurse (RN), (2) Licensed Practical Nurse (LPN), (3) Licensed Vocational Nurse (LVN), or (4) Licensed Public Health Nurse. Home Health Care does not include services rendered in a Hospital or Nursing Facility where room and board are charged.

Inflation Protection

A feature or option of long term care insurance coverage that increases the value of benefits over time to keep pace with increasing costs of care. Most programs offer a choice of two inflation protection options - an automatic compound inflation option and a future purchase option.

Maximum Lifetime Benefit

This is the maximum amount of benefits that your insurance coverage could pay. This benefit limit applies to any combination of long-term care services for which a benefit is paid. Your maximum lifetime benefit is calculated by multiplying your daily benefit amount times the number of days in the benefit period you selected.

Medicaid

The joint Federal-state program that pays for health care services for individuals who meet their state's poverty guidelines.

Medicare

A Federal health care program for most adults age 65 and older and certain disabled individuals. It pays for long-term care under limited circumstances and for limited periods of time and includes all parts of the Health Insurance for the Aged Act under Title XVIII of the Federal Social Security Act.

Waiting Period

The time between becoming eligible for benefits and when your long-term care insurance actually begins paying those benefits. Sometimes known as an elimination period or a deductible. Generally, the longer the waiting period, the lower the premiums. The waiting period can be measured in calendar days or days of service.

Waiver Of Premium

A provision of long-term care insurance that allows you to stop paying premiums while you are in receipt of benefits.