SOUTH COUNTY SENIOR LAW & ESTATE PLANNING CENTER, LLC

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The articles in this newsletter are written by the attorneys of South County Senior Law & Estate Planning Center, LLC as an informational resource for our friends and clients. Nothing in this publication is intended as legal advice for anyone's particular legal situation. If you have a specific legal issue, please call our office for assistance.

Long-term Care Insurance Companies Offer Stripped Down Policies With Big Cost Savings

Long-term-care insurance policies are 30% to 40% cheaper than they were a few years ago.

Well, sort of. Four years ago, most policies on the market were fully loaded – lifetime coverage, high daily benefits, short deductible periods and 5% compound inflation protection. Annual premiums could run $5,000 a year for a man fifty-five years of age.

You can still buy those fancy policies and pay dearly for the privilege. Many folks are opting to forgo many of the bells and whistles. Couples may buy a joint policy that costs each spouse approximately $2,000 a year. The two share the policy which offers a total of six years of coverage. An example would be insurance that provides $7,500 in monthly benefits that rise every year with the consumer price index.

If you haven't shopped for long-term-care insurance for a while, it's time to take another look. The major insurers are now offering slimmed-down versions of their standard policies. They're targeting baby boomers seeking to protect their retirement savings from potentially huge long-term-care costs – a private room in a nursing home averages $77,000 a year – but who don't want to pay big premiums for expansive coverage they may never use. It's better to have something than nothing.

Rather than pushing lifetime benefits, insurers are touting benefit periods of three years, which is longer than the average length of a nursing home stay. Shared-care policies cost less than buying two separate policies. And annually adjusted inflation protection tied to the CPI is cheaper than the 5% hike because the CPI has only risen 2% to 4% a year for several years. Companies have been trying to strip extras from their policies to address the sticker shock issue.

There are trade-offs when you go with the leaner models. If your family has a history of Alzheimer's disease, for example, you may need more years of benefits.

Most of the companies offer a shared-benefit policy, which could provide several years of coverage to each spouse or a lot of care to one.

Insurers have created the biggest cost savings by changing the way they increase the value of the daily benefit to keep up with inflation. Benefits in stripped-down policies rise with CPI. Be aware that nursing home costs usually increase at a faster pace than overall consumer prices. By the time you need care, you could face a shortfall in coverage. However, this protection could be enough if you opt for home care, which has risen about 2% a year.

With some companies you get the inflation pro-

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Federal Estate Tax Update

The future of the estate tax is more certain now than it has been in years.

In 2001, Congress passed a law that appeared to phase out the tax. The amount Americans can pass to their heirs tax-free was set to rise from $675,000 in 2001 to $3.5 million by 2009 (it's $2 million this year). Then, in 2010, the estate tax was supposed to expire, but there was a catch: The tax was also scheduled to rise from the dead in 2011 with a $1 million exemption.

That seesaw scenario is what has had a lot of people on hold in placing their affairs in order. Although the schedule is still in place, it's clear that it will never happen. Why not? The next President is against it. Hillary Clinton, John McCain and Barack Obama all oppose this roll-back of the estate tax exemption.

Both Clinton and Obama say they would let the $3.5 million exemption continue; McCain would prefer a $10 million exemption. Because the law allows married couples, by pro-active planning, to double the tax-free amounts, it's likely that, in the future, couples could leave their heirs a minimum of $7 million – and maybe up to $20 million – before the tax affects their beneficiaries.

What about the one-year estate-tax hiatus in 2010? It ain't going to happen! It's not a reality, and it was never intended to be. By the end of 2009, Congress will approve a tax-free amount for 2010 of at least $3.5 million.

A more contentious issue is likely to be the top estate-tax rate. Now 45%, some observers see the rate falling to 35% or even lower, while others believe it may be pushed back up to the 55% rate in effect before the 2001 tax changes.

Few need fear the estate tax. The higher exemptions mean fewer Americans than ever need to worry about the estate tax. In 2006, when the exemption was the same $2 million it is today, fewer than 3,000 estates actually owed the tax.

Still, it's important to establish an estate plan, which starts with writing a will and may include a trust or two trusts, medical directives and general durable powers of attorney. Even if you're not subject to federal estate taxes, you need to have a plan to pass on your wealth and the control of assets.

If you do face a potential estate-tax bill, planning can help reduce the amount hit by the 45% rate. You can give any number of people up to $12,000 a year without paying gift taxes or even filing a gift tax return. While gifts over $12,000 per year may mean IRS reporting, you can still give away up to $1 million gift-tax-free during your lifetime ($2 million for a couple).

If you're married and your estate is likely to fall in the taxable range, your attorney will likely recommend a credit-shelter a/k/a bypass trust. If a husband leaves his entire estate to his widow, without a credit-shelter trust, the amount would pass tax-free due to the unlimited marital exemption. However, without a credit-shelter trust, when the widow dies, only the exemption amount ($2

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Missouri Adopts New Rule Protecting Seniors From Investment Fraud-There is no "Free-Lunch"

Thousand of seniors entrust their life's savings to seminar salesmen, often with such titles as "Certified Senior Advisor", "Chartered Senior Financial Planner" or "Certified Financial Gerontologist". But state officials say the titles often involve little if any real training.

On Tuesday, March 25, 2008, Missouri Secretary of State Robin Carnahan cracked down on what she called a growing problem of misleading "senior specialist" credentials being used by some securities brokers and investment advisers. "My office has come across too many cases where salespeople are trying to falsely gain the confidence and trust of seniors," Carnahan said. Her office announced a new rule that would only allow securities brokers and investment sales agents to use titles that are specifically approved by the state and by a recognized accredited agency.

Carnahan's action follows a year-long probe by her office in which investigators attended nearly 30 free-lunch seminars across the state, including Kansas City. The investigation, which is ongoing, concluded that in most cases, "although these seminars are touted as educational, the ultimate goal is the sale of a product, often equity-indexed annuities."

Nebraska and Massachusetts recently adopted similar rules, noting that investment sales agents are increasingly eyeing an estimated $15 trillion held by Americans 65 years and older. Under the new Missouri rule, which would go into effect January 1, 2009, groups of sales people who are found to mislead seniors with exaggerated designations could face the suspension or revocation of their licenses.

Source: *Kansas City Star* (April 1, 2008)

Long-term Care Insurance Companies Offer Stripped Down Policies with Big Cost Savings — Continued

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tection upfront and the premiums stay the same. Other insurers allow policyholders to start off with lower premiums, but they have to pay extra every year or so to increase their benefits to keep up with inflation. Although a policyholder does not have to undergo medical underwriting again, in most cases the cost of the extra protection is based on the buyer's age when the new coverage is purchased. That means the premiums are boosted an extra notch for your age as well as by the increase in the CPI.

To reduce a buyer's cost, some companies offer a policy that lets you buy additional CPI-based protection that is based on your age when you first bought the policy. The premium will rise only by the size of the CPI increases since you bought the policy.

Deciding whether to buy the inflation protection at the start or later on will take some guesswork. If the policyholder buys extra coverage regularly to keep up with inflation, the premium could eventually become higher than that of the standard policy, depending on how much the CPI rises over time.

Some companies let younger buyers start with a small benefit and then give them up to age 65 to double their coverage without a medical exam. They don't have to think about buying all their coverage at once. The cost of the extra coverage is based on your older age, so it's cheaper to buy more coverage when you're younger.

You might also cut costs by buying coverage at work. Nearly 10,000 employer groups now offer a long-term-care benefit, according to the American Association for Long-Term-Care Insurance. The policies tend to have simplified underwriting – asking a handful of medical questions – and a group discount of 5% to 10%.

If you buy one of the new stripped-down policies, should you expect premium increases in the future? Although some smaller players have imposed double-digit rate hikes on policyholders, most major companies – John Hancock, MetLife, New York Life and Northwestern Mutual – haven't increased premiums for policies they've sold in the past.

Genworth, the largest long-term-care insurer, announced that it would raise rates by 8% to 12% for about 440,000 policyholders during 2007. The company originally priced the policies expecting more people to drop coverage before they claimed benefits. "If we would have experienced a 5% lapse rate, we would have been fine," says Genworth's President, Buck Stinson. "The reality is that it was closer to 1%." Some of these policies are from the 1970s, and policyholders are paying much less than current buyers.

People who buy policies today are much less likely to face rate hikes. Most states have passed laws that make it harder for insurers to raise rates in the future. To find an agent, contact your investment advisor or a well known insurance broker who has a good reputation or check out Long Term Care Financial Partners (www.ltcfp.com; 866-471-4072), which includes brokers throughout the U. S. Also contact the American Association for Long-Term Care Insurance (www.aaltci.org; 818-597-3227). While the firm does not recommend or endorse any particular insurer, the three companies that most of our investment advisor friends are using are John Hancock, Genworth, and MetLife.

Excerpts from Kiplinger's Retirement Report – April 2008

Federal Estate Tax Update — Continued

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million this year) could go tax-free to the children.

With the bypass trust, the husband could leave the exemption amount in trust to the children, with the trust income going to the widow. When she dies, the children would get the money from dad's trust estate tax-free and Mom could also leave them the exemption amount estate-tax-free. If both parents were to die in a year when the exemption amount was $3.5 million, a total of $7 million would go to heirs estate-tax-free.

Excerpts from Kiplinger's Retirement Report – April 2008

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South County Senior Law & Estate Planning Center, LLC has been serving the needs of our senior clients for twenty years. The firm attorneys, Dennis B. Mertz, Mavis Kennedy, and Christine F. Hart are members of NAELA, Inc. (National Academy of Elder Law Attorneys), dedicated to meeting the legal needs of all persons of all ages, including seniors.

We concentrate our practices in the areas of estate planning, trusts and estates, powers of attorney, probate, asset preservation, including Medicaid planning and tax advice, Special Needs Trusts and trust administration, nursing home abuse, will contests and other contested estate matters, financial exploitation of the elderly, personal injury, and guardianships and conservatorships. The initial consultation with any of our senior law attorneys is always at no charge or obligation to employ our firm. Call us at (314) 845-0541 to schedule an appointment to discuss any of your legal questions.

SHARE YOUR NEWSLETTER

We encourage you to share this newsletter with anyone who is interested in issues pertaining to seniors. The information in this newsletter may be disseminated without charge or permission, but with appropriate citation to *Senior Law Quarterly*.

Anyone wishing to be added to our newsletter mailing list should contact our office at 314-845-0541 with your request.

Getting to Know Us: Jean Peters

Our office manager Jean Peters has been a vital part of our staff for eight years. Her primary responsibilities include overseeing our billing department and client/time management database, along with handling myriad other tasks to keep the office running smoothly.

Many of our clients have spoken with Jean on the telephone over the years and appreciate her helpful and cheery attitude. She enjoys interacting with clients and is happy to be part of the team effort to satisfy our clients' needs.

Jean and her husband David have resided in South County for 14 years and are the parents of four beautiful daughters and proud grandparents of one grandson.

Jean enjoys bowling, horseback riding, and leading Girl Scout activities, as well as participating in leadership activities at her youngest daughter's school, Rogers Elementary, including serving as Troop Organizer and room parent.