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Choose carefully when buying long-term care

I have been asked several times for advice on purchasing long-term health-care insurance. As with any other investment, shopping for LTC insurance involves numerous complex issues. What is right for one person will be inappropriate for another.

The cost of nursing-home care currently ranges from approximately \$36,000 to \$80,000 per year. Since these costs are likely to triple over the next 20 years, purchasing a policy constitutes a major investment. Meeting with someone who specializes in elder-care issues provides one resource for answers. You can also consider the following guidelines to determine whether or not LTC insurance is a wise investment:

LTC insurance is most appropriate for people with assets between \$100,000 and \$1.5 million (excluding your home). If your assets are less than \$100,000, you may not be able to afford LTC premiums and you would quickly become eligible for Medicaid. With assets greater than \$1.5 million, you can probably afford self-insurance.

Shop for coverage. Coverage provisions vary widely from policy to policy and company to company. By shopping around, you should be able to tailor a policy that fits your budget and meets your specific needs.

Today, approximately 80 per-

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Real Money

cent of LTC is received in the home rather than in a nursing-care facility. If home care is important to you, be sure your policy includes a rider that provides this

type of coverage.

Most policies provide a waiver of premium benefit; this type of coverage waives further premium payments once you begin receiving benefits. Look for a policy that waives premiums whether you are receiving care at a nursing home or at home.

The likelihood that you will stay in a nursing home for more than five years is less than 10 percent. A good buy in LTC insurance is a policy with a five-year (or less) benefit period. Lifetime coverage is available, but it is much more expensive.

Be sure to choose a contract that requires you to satisfy your elimination period only once. Since you may go through several phases of need and recovery, you want to avoid having to satisfy the "elimination period" several times.

The daily costs of nursing-home care vary widely depend-

ing on where you live.

Consult with your financial or tax adviser regarding the costs in your area.

He or she can offer advice regarding the appropriate amount of daily benefit you should purchase.

The way insurance companies determine and calculate how benefits are paid can vary widely. The more liberal policies (based on what is called the "disability income model" pay full benefits directly to you once you qualify, while more restrictive policies (based on what is called the "reimbursement model" provide reimbursement of actual expenses incurred directly to the healthcare provider.

The former puts you in a better position, because you can control costs while assuring the overall quality of your care.

As with all insurance products, you will want to make certain that you choose an insurance company that is financially sound. Select a company that is rated AA or better by one of the major rating companies such as Standard and Poor's, Moody's, or A.M. Best. Remember, insurance companies don't give away money, so your best bet is to self-insure, if possible, and invest your savings rather than pay the premiums.

Another issue deserves some advance planning. What happens when tragedy strikes and financial decisions need to be made? Checks need to be signed, but you are unable to do so. What is going to happen? Someone is going to have to hire an attorney, go to court, and get a power of attorney that will permit him or her to act on your behalf. This can be expensive and time consuming. A better solution is for you to be "proactive" and have your attorney draw up a power of attorney before

A power of attorney is a vital document that every adult should have. This document allows you to appoint another person as your "attorney-in-fact," which gives that person the authority to act on your behalf in legal matters should you not have the capacity to do so. A power of attorney can be drafted in several forms. The springing power of attorney only becomes effective under certain conditions, usually due to your incapacity.

One significant disadvantage of the springing power of attorney is that when someone

attempts to use it on your behalf, he or she may be required to "prove" that you are actually incompetent. This can be inconvenient and cause significant delays. With a general power of attorney, you give your attorney-in-fact the authority to act on your behalf at anytime; however, if you become incapacitated, this document is null and void.

To solve this problem, you can draft a general and durable power of attorney, one which allows your attorney-in-fact to continue acting on your behalf in the event of your incapacity. Finally, there is the limited power of attorney, which allows someone to act on your behalf only in certain situations. One possible scenario may involve the signing of a specific legal agreement by your attorney-in-fact while you are out of the country. Another situation would permit your attorney-in-fact to trade securities in your account.

Initially, you need to decide which power of attorney is most appropriate for your circumstances. Then decide whom you would appoint as your attorney-in-fact. If you are married, a natural choice might be your spouse.

You should also have at least one successor attorney-in-fact. It should be noted that if you die, any and all power of attorney documents you have executed become null and void. Also, you should redo this document every four to five years. Many people are reluctant to accept a power of attorney document that is older than that. Whichever power of attorney you choose, care should be taken to assure that these powerful legal documents are kept up to date.

While you can get power of attorney standardized documents through bookstores and various software programs, I recommend that you have an attorney draw one up for a modest charge. Your attorney can help you decide which power of attorney is best for you; you will also have the peace of mind that comes from knowing that the document you have chosen conforms to New Mexico law.

Whatever personal situation you face—either a long-term illness or the incapacity to make financial decisions—your loved ones will appreciate the time and money you spent in preparing for the future.

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