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Votum, Familia, e Solum

(Prayer, Family and Country)

Painful as it is to say, we are not going to convince every eligible American to purchase long term care insurance. That's okay right now; with product market penetration hovering just under 10 percent, I'm not after the next 90 percent. I would be happy if we could get to 20 percent total market penetration in the next five to seven years. In light of current sales results this is an aggressive goal.

Most agree that many have already purchased long term care insurance. The "low-hanging fruit" has been picked: consumers who believe in insurance, who have chosen to purchase LTCI because of a personal experience, and have successfully sorted through the clutter of products presented to them. For us to effectively reach the next 10 percent, we need to change our sales approach. We need to create clarity in the minds of consumers as well as our own.

One technique that will improve results is to learn how to separate the planners from the deniers. Deniers are unlikely to buy any time in your lifetime. They may appreciate the hard work and information you provide them, they probably enjoy handing you all types of "homework" assignments such as running proposals and providing more information, and they may even enjoy your company. But the fact is, deniers don't believe they need to accept personal accountability for their long term care planning. They think someone else will take care of the problem for them.

Clarity Is a Rarity

The adage "people don't plan to fail, they fail to plan" has been floating around the

insurance industry for decades. Frankly, as it pertains to the long term care risk, I think it's bunk. "Failure to plan" despite the abundance of clear facts about the likelihood of needing long term care is a denial of personal responsibility. Here's what the President's Council on Bioethics had to say in its report, *Taking Care: Ethical Caregiving in an Aging Society*: "Already by far the most common trajectory toward death is a lengthy period of debility, frailty and dementia lasting not months but years."

The Council goes on to say, "The defining characteristic of our time seems to be that we are both younger longer and older longer; we are more vigorous at ages that once seemed very old, and we are far more likely to suffer protracted periods of age-related disability and dependence..."

As I read the President's Council's report, I thought about the objections that agents hear from consumers (and, incredibly, I periodically hear from some agents and financial planners) as they struggle to help clients understand the threat to their retirement lifestyles. Deniers' objections generally fall into three categories: reliance on God (prayer), country or family. Here's how they go.

Prayer. Regardless of one's views on the existence of God, some deniers pray they will live a long, healthy life and then, around age 85, not wake up in the morning. While this belief may protect against an agent selling them long term care insurance, those relying on prayer have failed to consider the Judeo-Christian thought about free will and the need to take responsibility for their own actions. As we all know,

the Lord works in mysterious ways, and we can't always count on Him to answer our prayers because, frankly, He may have other plans for us.

Country. As evidenced by the recent passage of the Deficit Reduction Act of 2006, the days of Medicaid being the primary payer for long term care expenses are rapidly coming to an end—other than for the truly needy. Medicaid is the largest health care program in the United States, with a budget well in excess of \$330 billion a year. It is bigger than Medicare, and growing faster by the day.

Americans in the middle class and above who expect the government to care for them in their declining years are in abject denial of the new realities. Additionally, considering the state and federal governments' performances during recent national disasters, citizens may want to take pause before they put their very lives into the hands of bureaucrats during the most vulnerable time of life.

Family. So let's see: The children—who may not live in geographic proximity to their parents, who may have children of their own, not to mention jobs—are expected to drop everything they are doing to come and care for an ill parent? Better yet, what about an 82-year-old 120-pound wife with osteoporosis lifting her 85-year-old husband's 200 pounds of nearly dead weight onto the toilet or helping him bathe and dress? If that is the case, they better revert to prayer. The sad reality is that informal caregiving by family members is enormously disruptive, costly and unhealthy for the caregivers. This is not a well-conceived strategy for providing the care one is likely to need in his 80s and beyond.

If one's prayers aren't answered, the

government can't help, and family is unable to drop everything, what are the options? Clearly, a caregiver will have to be hired. Here's the rub: The President's Council on Bioethics report spells out the critical shortage of qualified caregivers we will experience as the baby boomer population races toward the long term care end zone. Therefore, finding care and being able to pay for it will become the challenge. The highest quality care will go to those who are planning for it, and these are the people you should be talking to.

Here's my last word on deniers. Spend as little time with them as possible. Once you've identified them, thank them for their time and move on. These folks are time wasters and only lead to frustration. You have planted the seed, so maybe when reality strikes they will be willing to have a serious conversation about their long term care planning sometime in the future.

Planners Rule!

Planners, unlike deniers, know they have a problem. There are two types: do-it-yourselfers and those who choose to transfer the risk. The latter group will purchase long term care insurance if you make it clear to them what you are asking them to write a check for. The former group believes that they can invest or save their way out of the problem. Both these types of consumers are your best prospects: you can approach them in a straightforward manner which will take your long term care insurance sales to new heights.

Do-it-yourself is a valid yet flawed strategy. Given time, health and good fortune, the do-it-yourselfer could conceivably accumulate enough money to provide for his long term care needs in retirement. What

most do-it-yourselfers don't consider is that for every dollar they must invest to self-insure, they need to earn at least two! We pay taxes on income; taxes on interest, dividends and capital gains; taxes and sometimes penalties when we withdraw money from qualified plans.

Here's an example: a 58-year-old who lives in an area with an average cost of care of \$75,000 per year today would need to have \$1 million to \$1.3 million in after-tax dollars to pay for his anticipated four to five year long term care event at age 83. (Please see my previous article entitled "So You Think Long Term Care Insurance Is Expensive? Compared To What?" in the May 2006 issue of *Broker World* for the formula.)

On a lump-sum basis this individual would need to set aside \$220,000 to \$276,000 to self-insure this risk. The before-tax cost for a consumer in a combined state and federal tax bracket of 40 percent would be \$308,000 to \$386,000. If the same prospect tried to accumulate the target amount on an annual basis, he would need to set aside \$22,000 to \$28,000 to have enough net dollars to invest. A long term care insurance policy would cost this 58-year-old \$3,000 to \$4,000 per year, and the premium may even be tax deductible. If you can't sell this value proposition to the do-it-yourselfer, you are probably dealing with a denier. *Move on.*

Communicating the value proposition of a long term care insurance policy should take you minutes, not hours. By providing consumers with simple facts and a clear choice in an understandable format, you will separate the wheat from the chaff and dramatically increase your long term care insurance sales success. 🌐