

The Perfect RIA, Episode 76: LTC Planning

This episode is devoted to talking about a real, incredible area to deliver massive value to clients. Micah and Matthew want to focus on the topic of long-term care, long-term planning, long-term care insurance and everything that is connected with that area.

As Micah says, 98% of clients who come to him have no idea what to do with a long-term care, however, they know they have to do something. They just don't know where to start or how to deal with it. People are getting bombarded with statistics saying that on average, you will spend \$106 million in retirement on long-term care insurance. Those numbers are made up by companies who want you to come to them and leave your money with them. People feel the need to do something and risk management is the key.

Micah likes to make sure that his client is on the same page as Micah is. He informs the client that they will be talking about risk management and checks if the client knows what it means. The long-term care insurance and the long-term care plan are two different things and Micah emphasizes that difference to make sure everybody knows everything they should. When something happens to you, what's the plan? How is your spouse going to survive? What are your kids going to do? Those are some of the main questions Micah always asks his clients while taking care of their long-term care planning.

What Matthew likes to do is to lighten the mood a little bit. Talking about long-term money investments in your life planning can be overwhelming. There is no place for jokes but Matthew allows himself to add some brevity there. He likes to say, "Joe, I'm really sorry. Men, as you probably know, don't typically live as long as a woman. That's why I am going to take Sue's side in this conversation, she is going to be a client longer than you are". That makes his client laugh just a little bit and from there Matthew goes down the dark road without getting really serious and concerned.

While talking about long-term care planning, you need to set realistic expectations. Matthew likes to use stereotypes to start these talks. He would ask the husband if his wife knows the password to his bank accounts or if she knows how to set up financial investments for him. Usually, the answer is a serious no and from there Matthew explains why it is important to have someone to know those things. If something happens to one person, there should always be someone who can help.

Many people are concerned that they will not be able to save enough money to take care of themselves or their loved ones if something was to happen to them. According to the studies, the average cost of long-term care is \$10,000 a month. It sounds like a lot but if your client already has \$7,000, that's only \$3,000 gap. As Matthew reminds his clients, they will probably not need two cars if they are in a nursing home, they will not be going to Florida on vacations so a lot of those things would become easier. He also helps them to find a solution for a situation when his client goes to a nursing home and the other doesn't. There are numbers of different strategies and it is crucial to think about all of that way ahead. You can self-fund your long-term care, you can buy insurance, or you can combine those two together. Very often clients don't see how many options they have, how to put it all together so it makes sense.

Very often, Micah and Matthew hear that their clients "will take care of themselves" but this is not how it works. We might not have control over ourselves, we might not be able to take care of ourselves and we will need someone to help us and that will cost. Some people leave the decision for their kids to make which, as Matthew points out, is the worst scenario there can be. Who would want to make a life or death decision on their parents?

Another very important thing that Micah talks about is giving your advisor access to all the documents you might need one day. You might not think about it first but one day it might be a lifesaver. Let's say you are on vacation, you go to a hospital and your spouse

cannot get to you because the personnel doesn't want to let her in. You can call your advisor who has everything you need, he can fax the advanced healthcare directive (which, by the way, was previously read and carefully scanned by them) and there, problem solved. All of Micah's clients gave him full access to their documents. If someone doesn't want to do that, you are not able to do your job as a financial planner.

Action items

1. Jump in iTunes and give us a five-star review. That is the most important thing for long-term care planning!
2. Log into your Backstage Pass. There is a whole bunch of valuable content on long-term care with different scenarios we walked through with our clients.
3. Make sure you have advanced healthcare directive. Check if you have all the signatures needed or if you moved, make sure all the changed are made so you don't have to worry about any problems which can arise.
- 4.