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FINANCIAL PLANNING TOP 100 WOMEN

Taking the Long View on Insurance

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Illustration by Nathalie Lees

Long-term care is a key component of Evelyn Zohlen's advisory practice, but her interest in it started at home.

"I have a great aunt who lived 12 years in a memory-care unit, and you can imagine what that cost," says Zohlen, a Huntington Beach, Calif.-based wealth advisor. "It was pretty horrendous for the family."

With rapidly rising health-care costs and an aging population, it is far too common a scenario. Care for chronic illnesses can destroy the wealth of even affluent families. So, when Zohlen set up Inspired Financial in 2003, she made sure her "holistic approach" to women-oriented wealth management included long-term care and insurance options. "It's a pillar of what we should be doing in assessing risk and making recommendations," she says.

Zohlen's approach to long-term care remains rare. Many advisors avoid the topic, and some still advocate self-funding for wealthier clients, rather than insurance. And many clients, especially men, resist long-term care plans, citing a dislike of insurance or the belief that someone will care for them.

"This is a very emotional issue," says J. Douglas Moran, Merrill Lynch Wealth Management managing director and senior financial advisor. "We try and take the emotion out and just look at it like numbers in the rest of your portfolio."

As baby boomers age, a slow but persistent shift is taking place in the advice on long-term care provided by advisors—and in clients who are more willing to ask for it. "There's so much more conversation about it," says Mary Deatherage, a wealth manager who heads Deatherage Group at Morgan Stanley Private Wealth Management. "I'm not saying that [clients] are necessarily taking me up on the conversation and acting on it, but they're very curious."

This heightened interest comes as insurance offerings evolve. Traditional long-term care insurance is being rapidly supplanted by so-called hybrid policies, which combine life insurance with a long-term care benefits rider. This option is especially advantageous for higher-net-worth individuals, who have the means to protect themselves in ways that offer returns to beneficiaries if care isn't necessary.

"The hybrids are increasing their sales dramatically, while traditional long-term care is shrinking in the marketplace," says long-term care insurance specialist William Borton, who heads W.R. Borton and Associates.

Two surveys conducted by Versta Research for Lincoln Financial Group in 2017 pointed to a disconnect between advisors and clients on long-term care. Advisors participating in the research said they broached the topic with a little over half of their clients, but in separate survey, only 14% of clients said their advisors had addressed the subject with them.

For now, women are disproportionately interested in long-term care. They represent more than two-thirds of all policies written, and for good reason: Women outlive men.

Advisors say they also tend to be more open to conversations about long-term care. Moran notes that women better understand the burden of caregiving, tend to be more realistic about the likelihood of serious health issues, and make most health-related decisions.

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Wealth managers also say younger people are interested in long-term care, either for themselves or for their parents. Moran notes that younger, healthier

TOP 100 WOMEN ADVISORS

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Taking the Long View on Insurance

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clients "get the biggest bang for their buck." And adult children are advocating long-term care for their parents, sometimes buying policies on their behalf. The reasons: They want to protect an inheritance or "alleviate the guilt of not being able to pick up and leave a job and take care [of sick parents]," says Mary Dorn, a Ph.D. candidate at the University of Missouri-Columbia's department of personal financial planning, who has researched the subject.

Traditional long-term care insurance provides funding for either in-home or nursing-home care for a set period. The cost determines the amount that insurers pay out and the longevity of the coverage.

Borton estimates that nine insurance companies offer hybrids. Some are more than two decades old, and others are quite new. Each insurer offers a slightly different spin. Two pay the client; others pay the institution directly.

The policies require a one-time payment, usually from $50,000 to $125,000, or 10 annual payments, most of which levy stiff finance charges. Depending on the age when the policy is purchased, the amount, and gender of the insured, that rider will gain anywhere from 3½ to six times the premium's worth of long-term care, spread over a maximum monthly payout. Some policies allow couples to pool benefits. Coverage is usually for a maximum of six years, and covers a portion of the cost.

If you die without using the coverage, beneficiaries get back the principal plus a bit more.

Hybrids offer several advantages. It's easier to qualify for a policy than for traditional long-term care, which involves a thorough examination of a client's health and medical history. A history of depression or back issues may deny coverage. Hybrids involve a short-form application, a telephone interview with a registered nurse, and a prescription-drug check.

Second, traditional long-term care plans can—and do—raise premiums. This industry got a bad rap in the late 1980s after some insurers jacked up premiums or ended coverage after misjudging demand and the severity of the claims. Those days are past, but the issue of not knowing what premiums will be remains.

Why do advisors avoid the topic? Moran believes that most lack expertise. Adds Deatherage: "Coverage has become more flexible, and it has become a much more complex conversation and complex decision."

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