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Happily Ever After: Long Term Care Insurance And Asset Protection

Once upon a time, there was a fairy princess who lived in a very large and beautiful castle that her loving and devoted father, the King, had constructed for her and his large extended family. The King had engaged only the most talented artisans and spent countless dollars decorating the castle in his daughter's favorite colors, with the world's greatest silks and tapestries and golden opulence last seen in Versailles, and with every intention that the castle with its large and tall walls would keep his daughter safe in the face of all the evil forces that Nature and his enemies could muster against his family.

The King had brought to the Royal Court only the very best financial planners and wealth managers to help build the portfolio that would constitute the foundation of the financial castle for the benefit of his daughter and the rest of his family in per-

petuity; for the King had a vision of living to be a very old man and then leaving a grand legacy that would be remembered for generations to come.

The Royal Attorney partnered with the Royal Excavator and helped construct the moat around the castle by preparing a comprehensive estate plan that consisted of an elaborate system of trusts, pour over wills, powers of attorney, and other "legal" documentation that seemingly helped make the castle impenetrable. Unfortunately, while the Royal Attorney was focusing on the height of the parapets and the width and depth of the moat being dug around the castle, there was still one unforeseen enemy: Long term care. For no matter how comprehensive the plan, no matter how deep and how wide and alligator-filled the moat, the problem is that local ordinances and decrees from the Royal Land Office

and Royal Treasury made it impossible for the Royal Excavator to fully encircle the castle—even for the King. The very limitation that prohibited the moat from reaching completely around the castle was a series of little known laws, and had been the downfall of many of the large landowners in the kingdom.

Fortunately, the King was a good leader, and had a sage advisor in the Lord Chancellor. The Lord Chancellor in his wisdom advised the King that there were several options with which to complete the moat to fully encircle the castle. The King, being a fiscal conservative, naturally wanted to hear about these options in terms of asset protection.

The Lord Chancellor carefully began his lesson by advising his king that most people have four options when they contemplate their future long term care needs, and that a combination of these options is often the means by which many people, from the middle class to those of extreme wealth, can plan in advance for long term care to protect their assets, and maintain their independence and dignity, while also creating peace of mind.

When the King asked why there was such an emphasis on this form of protection, his counselor again patiently explained that while the reasons varied greatly, it was common for these people to engage in this form of asset protection planning so that they don't burden family and friends emotionally, physically and financially. Whereas in days of yore it was common for the plan to consist of a default to **family** as the plan for caregiving, this was no longer the case. In the past, an unpaid family member was tasked to provide care for a loved one in the home, but practicality and reality no longer make this option viable. "Better to make the family **part of the plan**, rather than **the plan**," said the Lord Chancellor. "But why?" asked the King. Again, the Lord Chancellor explained that the former plan was not as reliable as in years past because of fewer children in the family, the scattered nature of the family, and more women in the workforce. "We are simply not the Waltons any longer, Sire." Coupled with the diminished income and opportunity for

caregivers who are still fully employed, this quickly becomes an untenable plan.

"Are there other considerations I should be weighing?" asked the King.

"There are always the issues of independence, decision-making, and of course the decided lack of dignity of having a child take his or her parent to the Royal Loo," said the Chancellor quietly as he watched the King grimace.

"Second, many labor under the false impression that the government or the Crown will take care of them in their time of need. While Medicare recipients have the potential of one hundred days of long term care benefits, the typical average coverage received is only 17 days before these benefits are exhausted due to ever tightening regulations. Conversely, Medicaid remains the number one provider of long term care in this kingdom with only one caveat for qualification: An applicant has to be broke after having completed a spend-down of assets." The King wisely drew the conclusion that asset protection and the requisite spend downs are mutually exclusive of one another...

"The third option available is **self-insurance**, and more often than not, is expensive, inefficient, and the antithesis of asset protection—and could prove the downfall of your Highness' long term vision for the treasures that you have accumulated."

"The fourth option is of course risk mitigation through **insurance**. Like the other major risks that we all face in life, we purchase insurance to guard against the loss of our castles, damage to our carriages, health insurance to abrogate the risk of an expensive medical procedure and, of course, life insurance to guard against an untimely and usually unplanned death. Long term care insurance policies fill this need admirably."

The Lord Chancellor went on to share that the new 2017 Genworth Cost of Care Survey had been released and, as suspected, the costs associated with traditionally less expensive home health care based long term care services had gone up 6.17 percent to \$21.50 per hour. The cost of homemaker services also rose by 4.75 percent to \$21 an hour. While some may be put off by these costs, they are relatively inexpensive when

compared to the costs of nursing home care. The national median cost of a semi-private nursing home room—when was the last time you involuntarily shared a room with someone other than your spouse—went up 4.44 percent to \$7,148 per month, while the median cost of a private nursing home room went up 5.5 percent to \$8,121 per month. Again, these are median prices, with some of the more obvious metropolitan areas costing in excess of \$11,000 (Seattle), \$14,000 (San Francisco), and \$18,000 (Manhattan, NYC) per month.

Still not convinced, the King again inquired of his advisor as to the true risk that the royal treasury could really be at risk if left unprotected against the scourge of long term care. Once again, his loyal counselor attempted to explain the risks associated with long term care by analogy. "Sire, the risk of the castle being subject to destruction is only about 1 in 1200; distinctly a remote possibility with minimal risk, but devastating consequences. I assume the reason that you have always maintained your homeowners policy is that you find even that amount of risk to be unsatisfactory," said the Lord Chancellor.

"That, and the fact the premiums are so inexpensive," said the King. "A prudent and worthwhile investment."

"The risk of damage to one of the royal carriages by an uninsured motorist or the liability of one of the King's royal teenaged children causing damage to another carriage or property owner is five times greater, or literally about 1 in 240, prompting higher premium charges from the insurance company because of the risk that the insurance company has to bear in paying out claims."

Because the King and his wife were too young for Medicare, he knew how expensive health insurance was for their family, as it seemed that one or another of the family was always going to the Royal Doctor for one malady or another. Truly, the risk to the insurance company that issued this form of insurance was immense. "Sire, the odds of you or the Queen requiring a procedure such as heart surgery or a hip replacement is fully one in 15 as you near age 65. These procedures often run well into the six-figure range," he said to the horrified King.

As a result of the King having both permanent and term insurance on his own life, he could readily understand that permanent insurance was more expensive because there was a one hundred percent chance of the insurance company having to pay out a death benefit whereas with the term insurance the risk was only about two percent of a claim ever being filed.

"So what of this risk called long term care?" asked the King. "I am sorry Sire, but the risk of either you or the Queen requiring such care is fully 90 percent, and that is if only one of you requires it, and that this care is of only the average duration of three years and at the median cost." The King was shocked. "That could run into the hundreds of thousands of dollars."

"Fortunately much of the royal family is

young, carefree and in good health," said the King, again questioning the need.

"Sire, any of the young princes and princesses could also find themselves in need of long term care for a variety of reasons including accidents, chronic conditions, strokes or other debilitating conditions. Fully 40 percent of the people receiving long term care are working-age adults between the ages of 18 and 65."

"What can be done to guard against this evil? How can we protect the assets of the Crown?" asked the King, sobered by the previous information.

"Sire, we can purchase long term care insurance policies for all members of the Royal Family. Can you think of any reason that you would want to address the far greatest of these risks differently than the

way you have dealt with these other lesser risks?"

At this point the King gravely raised his hand and indicated that he wanted a long term care policy for all of his family members, and the Royal Long Term Care Planning Specialist was then summoned before the King and given the charge to design a plan that would in fact protect all of the assets of the realm. The King being risk averse, then opted for full coverage with no co-insurance and a home health care waiver to thwart the 90-day elimination period.

After he later learned that many of the family would qualify for a preferred class rating and ancillary life-long discount, it was said that peace reigned in the kingdom and they all lived happily ever after. 🌍