



COVID-19 Pandemic: Wake-up Call for Reviewing Your Insurance Plan

Insights you can use to make more informed decisions for your financial future

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Over the first half of 2020, the COVID-19 pandemic changed almost every aspect of how we live, work and interact with others. And, more than likely, it will impact how we do so in the future.

As a result, consumers can use this time as an opportunity to think about their long-term plans, particularly for retirement and make adjustments as needed. A key area worth considering now is planning around how they will receive healthcare as they age and what options - such as life/long-term care insurance they may want to consider to pay for it.

FIVE MYTHS ABOUT PLANNING

The problem is that studies show almost half of U.S. households are underinsured. Factors contributing to the lack of coverage may stem from the myths that consumers hold regarding life/long-term care insurance.

We dispel five of these myths here with the new reality:

Myth: "I have enough life insurance."

Reality: There's a good chance you really don't. According to the 2019 LIMRA Life Happens survey: 57% of Americans own life insurance and 32% of those who own it, only have group coverage through an employer which typically does not provide enough and is not transferrable, should they leave the company.

In addition, the coverage under typical group policies is not designed for the many specific demands you may face. Just as Social Security provides a base of protection, life insurance through your workplace is good start, but may not offer all you need.

In a recent article, Forbes reported that Millennials in particular are at risk. "Only 10% say they have enough life insurance in place to cover self-reported needs should they die, putting their family members at risk." Other generations are not much better off as this chart shows:

Generation	How much life insurance in place	How much is needed	Amount of shortfall
Millennials	\$100,000	\$452,000	78%
Gen X	\$272,000	\$525,000	48%
Baby Boomers	\$190,000	\$300,000	37%

Myth: "Once I turn 65, Medicare will pay for my medical expenses, including long-term care."

Reality: Not necessarily true. In most cases, Medicare does not cover long-term care or custodial care. So as you age, if you need non-skilled personal care to help with dressing, bathing, getting out of bed, eating, and other daily living activities, you will pay out of your own pocket for these types of services.

Whether you're just starting retirement planning or approaching retirement, it's important to address how you'll pay for long-term healthcare. Long-term care insurance or life insurance with a long-term care rider, or even health-savings accounts, (HSA) for example, are all options that can help pay for these services while also helping to protect your retirement nest egg and give you more choice about where and how you receive the care you may need in the future.

According to the Department of Health and Human Services, someone turning 65 today has almost a **70%** chance of needing long-term care at some point during their life. Yet only about **10%** have purchased long-term care insurance which could help pay for this type of care.

Myth: "If I need long-term health care or support, I'll get treatment in my home. So I don't have to pay for a nursing home."

Reality: Although cheaper than going to a nursing home, receiving care at home is still pricey. So your long-term financial plans should account for how you'll allocate your retirement assets to pay for these services.

Currently, receiving home health care runs about \$50,000 per year. But this cost is rising. Genworth's Cost of Care Survey reported that in just one year, homemaker services rose by **7.14%** and home health aide services increased by **4.5%**.

Affording home healthcare in retirement

As of 2019, the national median cost for:

- Homemaker services: \$22.50 per hour
- Home health aides: \$23 per hour
- Total: \$52,624 per year (based on 44 hours per week)

(Source: [Genworth's Cost of Care Survey](#))

Myth: "I can't afford life/long-term care insurance."

Reality: In many cases, you probably can. Whether you consider life or long-term care insurance, the ideal time to apply is when you are in your 50s. At this age, you won't pay premiums for too many years, and you may still be eligible for lower rates.

Permanent life insurance will, indeed, cost more because it will cover your entire life and may have a savings component - a benefit that appeals to many business owners because it can:

- **replace income** for your family
- **keep business afloat** if a partner or key person leaves the business
- **fund buy-sell agreements** to ensure the succession of the business

Term insurance, on the other hand, may be an attractive option, especially for Millennials, because it offers low cost and provides coverage for a specified period of time, like a 30-year mortgage or 10-year student loan. Just be aware that term insurance rates will go up as you age.

Of course, you should discuss your options with your insurance provider or trusted advisor. As part of this process, you can review how your priorities may have changed since the COVID-19 pandemic, rethink past decisions and assumptions and make adjustments that can pave the way for better decision making going forward.

Myth: "That won't happen to me."

Reality: If there's one thing that pandemic has taught us is that anything, absolutely anything, can happen at anytime to virtually *everyone*.

Planning for the "what ifs" in life is a key motivator for long-term planning in the first place. What if another pandemic arises? What if you are incapacitated for an extended time? What if your business partner leaves your business earlier than planned?

Of course, you may not be able to plan for everything, but by realistically exploring "what if" scenarios with a financial professional and planning for likely outcomes, you can do what you can to help alleviate future financial burdens and strain on your loved ones.

WAYS TO GET BETTER PREPARED FOR THE “WHAT IF”

- 1. Go online.** You can find a host of resources and tools to give you a basic understanding of life/long-term care insurance. For example, you can visit <https://public.websteronline.com/personal/life-insurance-planning> and <https://public.websteronline.com/personal/long-term-care-planning> to help understand your options and how your retirement assets and financial plan could be impacted.
- 2. Review your plan.** If you already have one, review the key assumptions and planning provisions you have already made to expose any gaps. Then, work with your planning professional to update your plan, if necessary.
- 3. Conduct an insurance review.** As part of the process, consider your potential need for life/long-term care insurance as another layer of protection in retirement. For instance, if you decide long-term care insurance fills a gap in your plan, compare policies from several different companies. Together with your insurance professional, look at the benefits each offers, such as:
 - **Elimination period** or how long you must pay for nursing home or long-term care before your policy will start to pay for it; usually 30, 60 or 90 days.
 - **Inflation rate** used to calculate the future value of your coverage.
 - **Daily benefit** or how much policy will pay per day
 - **Maximum number of days** per year policy will pay
 - **Maximum benefit** to be paid over your lifetime

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The problem is that studies show almost half of U.S. households are underinsured. Factors contributing to the lack of coverage may stem from the myths that consumers hold regarding life/long-term care insurance.

Yes, the pandemic has had implications for so many people and on so many aspects of our lives. Now's the time to use it as an opportunity to form even stronger plans that will ensure a better financial future — and provide the peace of mind knowing you've protected your loved ones and your nest egg.

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