

Greetings! I hope that your holiday season was wonderful. Mine certainly was, as I got the opportunity to meet my brand new grandson, Max Sullivan. He's healthy and very normal. He eats. He cries. He sleeps. He poops. And he looks just like his grandpa – the "other one"! Drat! (No offense, Curt.) My just-turned 4-year old granddaughter Sofia was so excited to have mountains of snow to romp in (she lives in Seattle). The car barely pulled into our driveway when she busted out and began running and rolling and screaming "I'm never coming in! I'm never coming in!"

Sofia Isabel and Max Sullivan. An Italian opera singer and an Irish boxer! "And in this corner, weighing 7 pounds, six ounces, in the blue Pampers, the challenger Max Sullivan . . ."

**MORE ON THE NEW
MN LONG TERM
CARE PARTNERSHIP
PROGRAM**

In the September issue, I introduced a new long-term care partnership program that has been approved in Minnesota. The law makes it possible for you to qualify for government-paid care without having to spend down all your assets. In this newsletter, I explain how the program works and again encourage you to contact me to start looking at long-term care insurance for yourself.

**"WHAT EXACTLY
IS THE
PARTNERSHIP?"**

The partnership is between you and the Federal government. It represents an effort to stop the huge drain on the Federal budget caused by Medicaid footing the bill for the escalating costs of long term care for so many people. And the growing number of ordinary citizens with moderate assets who, because of long-term care costs, were forced to deplete whatever assets they had before Medicaid could help them. It wasn't a good thing for our burgeoning deficit nor was it a good thing for those who watched their nest egg get fully depleted by their care. (See "My father's story" in the September newsletter.) A lose/lose scenario definitely.

**HOW THE
PARTNERSHIP
WORKS**

You buy long-term care insurance on yourself. As a reward, the government lets you exempt from eligibility for their paying for your care an amount of your assets equal to the amount of money your LTC policy paid on your behalf. If your policy pays \$500,000 for your care and coverage runs out, you can receive government aid and still keep \$500,000 of assets to yourself. This is huge!

**AT WHAT AGE
SHOULD YOU BUY
LONG-TERM CARE
INSURANCE?
(I GET THIS QUESTION
A LOT)**

The odds of needing long-term care do significantly increase starting at age 50 and older (I got Parkinson's Disease at age 50). But whatever your age, if because of this new Partnership Program, you intend to buy the coverage eventually, buy it now for two reasons. First, the cost for Long-Term Care insurance is significantly less at younger ages, which makes it that much easier to afford the premium in your later retirement years when your income is more fixed. Second, if you get injured or suffer an illness that makes you eligible for long-term disability benefits, a disability policy just pays you for your loss of income—not for your need for help with the activities of daily living. So even if you have a good disability policy, you can still suffer a pretty large financial drain because of long-term care costs. For example, I have a client who at age 35 was seriously injured in a car accident caused by another driver and has been wheelchair bound and needing a care attendant for the past 20 years.

“WHAT IS THE COST OF A 45-YEAR OLD WAITING TEN YEARS TO BUY THE INSURANCE?”

When you’re younger, your risk is quite a bit less and so is the premium. As you age, not only do the rates increase, but also the amount of coverage you need increases because inflationary increases in the cost of care have also gone up. So by waiting, you’re paying for a higher age rate, and you’re also paying for a greater benefit. Here are a few examples.

[Assume a \$200-a-day benefit—\$6,000 a month—for six years with a 5% compound inflation rider and a 90-day waiting period.]*

Age	Projected Cost of Care	Annual Premium	Cost of Waiting
45	\$72,000 per year	\$2,401 per person	
55	\$112,000 per year	\$4,333 per person	\$1,932 a year for the rest of your life
55	\$72,000 per year	\$2,785 per person	
65	\$112,000 per year	\$5,026 per person	\$2,241 a year for the rest of your life

... AND THE COST OF WAITING FOR A 55-YEAR OLD TODAY?

*Source: John Hancock Custom Care Program

“WHY IS LONG-TERM CARE INSURANCE EXPENSIVE?”

It’s the cost of the 5% compound inflation benefit. It represents half the cost. The insurance company agrees to raise your benefit 5% every year without ever changing your premium. Here is the impact that has on your benefits over time.

Continue to assume a 5% inflationary growth in costs from the \$72,000 today. The annual cost of long-term care will be about \$282,000 per year in 30 years and \$460,000 per year in 40 years. If you are 45 today and you don’t need care until age 85, the annual cost of care will be almost \$500,000! If you need care for six years, you will be responsible for over \$3 million! If you’re 45 years old today, virtually that entire cost can be covered by purchasing Long-Term Care insurance with annual premiums of \$2,400 a year, or about \$200 a month per person.

THERE IS ONE OTHER VARIABLE TO CONSIDER—RATE INCREASES

Most of the preferred companies writing long-term care insurance have either never taken a rate increase on existing customers or if they have taken a rate increase, it’s been fairly modest. And, rates on new products have been increasing at a faster rate than the rate of inflation for sure. That trend will only get worse with the Baby Boomers hitting retirement.

“HOW LONG A PERIOD OF COVERAGE SHOULD I BUY?”

There are two issues to consider. First, the amount of personal assets you want to exempt from Medicaid eligibility for your family should you ever need care long enough that you will need Medicaid assistance. Second, the affordability of the premium, keeping in mind that in most cases, the premium will be something you pay for life. Also keep in mind, however, that with Long-Term Care insurance where the benefit increases but the premium rarely does, whatever premium you’re paying today will be paid for with discounted future dollars making today’s premium easier and easier as you get older. So it’s a case of balancing affordability with your preference as to how much of your assets you would like to shelter.

THE BOTTOM LINE? IT’S ALL ABOUT RISK MANAGEMENT AND BALANCE

If you work with me on your whole program, you have excellent coverage in five major risk areas:

- 1) The cost of major medical bills reaching hundreds of thousands of dollars.
- 2) Coverage for major lawsuits with an Umbrella policy of \$1 million or more.
- 3) Coverage for major damage to or destruction of your home.
- 4) Coverage for replacement income lost as a result of a long-term disability.
- 5) Coverage for income replacement needs for your survivors if you die prematurely.

The only other area where you are exposed to financial drain of hundreds of thousands of dollars is long-term care costs.

THERE'S NEVER A BETTER TIME TO GET THIS RISK COVERED

And the annual cost will never be lower than it is today. Choosing the amount of coverage has never been easier (i.e. How much of your assets do you want to exempt from Medicaid eligibility?) Choosing among the many coverage options and choosing the best insurance company for you is something I can help you with. Contact me when you are ready.

CORRECTION—DEPENDENT HEALTH COVERAGE FOR THOSE AGES 19-25

The major change in dependent health coverage I announced in the September issue apparently only applies to fully insured groups and individual policies. If you have a child under age 25, you can add them or continue to cover them for dependent health coverage on your group or individual health policy until age 25 regardless of their student status and regardless of whether or not they live at home. However, the law does not apply to large companies who partially self-insure their employee medical coverage. They can, however, opt for this law to apply to their group coverage, but they're not required to. You certainly can appeal to them to make that change.

Note: The IRS still requires them to be a "tax dependent" to be eligible for reimbursement from an FSA, HSA or HRA account. Consult with your tax advisor.

WHEN DOES THE LAW TAKE EFFECT?

The start date for the law to apply is January 1, 2008, for individual policies and the annual group renewal date if a group policy.

IF YOU HAVE ACCESS TO SOMEONE ELSE'S CAR

Like having access to the keys, such as Grandpa's car, the drug store delivery van, a company car, a pizza delivery van, etc., your personal auto policy won't protect you for any injuries or property damage that you cause using these vehicles. The good news is there is an inexpensive solution we can add to your auto policy that will solve the problem for about \$10 a year. Call Carol Bechay specifically at 952-896-9536 for help getting this coverage arranged.

AN UPDATE ON THE NEW INDEPENDENT CONTRACTORS' LAW

First of all, it does not take effect until January 1, 2009. It does not apply to all independent contractors—just those who are "individuals." If you fall in that category, you will need to apply for a Certificate between July 1, 2008, and January 1, 2009. Here's the process:

- Get an application from the Department of Labor.
- Sign an Affidavit that you meet all their standards of independence.
- Provide proof of insurance.
- Pay a \$150 fee for the Certificate, which will be good for two years.

The consequence of not having a Certificate will be that you will be considered an employee of any general contractor you work for as to both Worker's Compensation and General Liability and thus less desirable to be hired.

IF YOU ARE A GENERAL CONTRACTOR

After January 1, 2009, all one-person subcontractors who do not furnish you with this Certificate from the State of Minnesota will be charged against your General Liability and Worker's Compensation premiums as employees. **Certificates of Insurance will no longer be adequate.**

Caution: be careful not to push anyone to apply who is not really an independent contractor or you will be subject to a \$5,000 fine.

SENIOR GOLD "OPEN ENROLLMENT" ENDS MARCH 31, 2008

The Medicare Supplement policy I most recommend as the best overall value is the Blue Cross Senior Gold program. If you have a Medicare Supplement policy elsewhere and have any kind of pre-existing health conditions, you may feel you're stuck with your current plan. "Open enrollment" means that you can apply for a Senior Gold Medicare supplement policy preferred rate with no medical questions whatsoever and no chance of rejection. You have until March 31.

2008 NEW IRA CONTRIBUTION LIMITS

In 2008, the maximum contribution is \$5,000 per person if under age 55 and \$6,000 if over age 55 or older. If you haven't contributed for 2007, the limits were \$4,000 and \$5,000 respectively. You have until you file your tax return.

(Source: Boulay, Heutmaker, Zibell & Co., CPAs)

RENT A LAMBORGHINI FOR A DAY!



Michael A. of Florida was vacationing and called to see if he had automatic coverage for collision damage to a world-class sports car if he chose to rent such a car. Personal auto policies with Collision coverage on at least one car extend their coverage automatically up to the full value of a rental car, with no cap. Since his personal car had Collision coverage, he was fully covered, subject only to his \$500 deductible. (If he lived in Minnesota, his auto property damage liability would also cover the rental vehicle with no deductible but capped at the property damage limit)

www.worldclassdriving.com is the site he chose because he could drive several different cars on the same day.. Point your cursor at each sports car to hear the engine roar!

Here's what the MasterCard commercial might look like:

Daily rental cost– \$1,000 a day. Cost to replace the vehicle – \$235,000. The amount your auto insurance policy would pay to replace the car if stolen or totaled - \$234,500!! Having the time of your life driving a car capable of 0 to 60 miles per hour in four seconds and a top speed of 192 miles an hour? PRICELESS!

Disclaimer. The costs shown above are estimated only. They do not include the costs for any open heart surgeries of any insurance company underwriters who have sudden heart attacks when they happen to read this. Nor is this an endorsement by the author of driving world class sports cars at high speeds. However, the author does take full credit for any and all pleasure derived by any reader from any vicarious experience they may have as a result of checking out this website!

MY ARTICLES ON PERSONAL RISK MANAGEMENT TOPICS

After *Insurance For Dummies* was published in 2001, for the past three or four years I have been writing articles on the national website for the International Risk Management Institute on the subject of personal risk management. For access to these IRMI articles and other helpful articles I have written that may be of interest to you, go to www.jackhungelmann.com. The links to the articles are in the right-hand column.

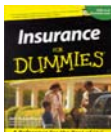
MY 2008 INDEX

As is customary with the January issue, I have included an index of every topic I have ever covered that is still relevant today. Please scan it and call us if any subject merits additional attention. Also included are my favorite online links.

The second DBS surgery, in October, to implant a Medtronic brain "pacemaker" for control of my Parkinson's symptoms went splendidly again. I have the use of both sides now without tremors and with minimal stiffness. I feel like a "new man"! Special thanks to my neurosurgeon Dr. Aviva Abosch and her entire surgical U of M team who hit the pea-sized spot dead-center twice. Stop by and see for yourself. (If you're lucky, you might even see my patented "Moon Walk"!)

All the best,

Jack Hungelmann



Insurance For Dummies authored by Jack Hungelmann. Buy it online at www.dummies.com or www.amazon.com.