

Greetings! This newsletter marks the completion of my 23rd consecutive year of writing these newsletters for clients. 69 issues total. This personally written newsletter is one of 16 value-added commitments I make to clients as part of my fee-based risk management service. (For more on those 16 commitments, click on this link on my website <http://www.jackhungelmann.com/work19.htm>). Your financial support of my different vision of what an insurance agent can be for his clients is made possible by your payment of my annual risk management fee every year. I thank you for that.

Here are the most important things you need to know to best manage the personal risks in your life.

***IT'S TIME TO ADD
LONG-TERM CARE
INSURANCE TO
YOUR PORTFOLIO
OF MAJOR CLAIM
INSURANCE
PROTECTION***

There are six major risks you face that, if they occur, can cause major financial loss to you and your family. They are premature death, long-term disability, major medical bills, major damage or destruction of your personal residence, large lawsuits, and long-term care expenses. The latter is currently averaging in Minnesota about \$70,000-\$125,000 per year. Until now, you either had to be independently wealthy enough to absorb these long-term care costs out of investment earnings; or, for the majority, you had to spend down your assets to poverty levels before the Federal Medicaid program would pay for your care, for the rest of your life, at a facility of their choice—not yours.

***THE PROBLEM
WITH MEDICAID
FUNDING***

With improving medical technology allowing more of us to live longer, combined with a large number of people reaching retirement age (the "Baby Boomer" generation), each year the number of people needing long-term care has been increasing and will continue to increase greatly for years to come. The already under-funded Medicaid program is going to need some additional significant funds somewhere unless something changes.

***UNCLE SAM
STEPS IN***

In order to reduce the drain on Medicaid, the Feds passed the Deficit Reduction Act of 2005—part of which addressed this Medicaid funding problem. They authorized the states to pass laws that would allow people needing long-term care, and attempting to qualify for Medicaid, to exempt from the Medicaid eligibility all benefits received from any long-term care insurance policy. So, for an individual who has a long-term care policy that has paid \$200,000 in benefits, that person can exclude \$200,000 of assets when determining Medicaid eligibility. This is a win-win situation for both consumers and the government. Someone with long-term care insurance reduces the chance they will need Medicaid funding—good for Medicaid. That person who eventually runs out of insurance can then preserve an amount equal to whatever their long-term care insurance policy has paid (i.e., \$200,000) for their family's benefit. Their ongoing need for care won't completely drain the family fortune and create hardship for loved ones. The good news is that Minnesota just approved this legislation.

MY FATHER'S STORY

At around 80 years old, my father of relatively modest means had a stroke that took away his speech and the use of the right side of his body, confining him to a wheel chair and creating the need for constant help with bathing, dressing, eating, toileting, etc. He immediately went into a nursing home for that care. After we sold his home, he had about \$350,000 to his name. Four years of care later, he had spent down the entire amount on his care to the point of eligibility for Medicaid—namely \$3,000. He was approved for Medicaid benefits and he was transferred to a Medicaid-approved nursing home, where he is living today. There's a good chance he will need care several more years. Dad did not have long-term care insurance, but even if he did, with his extended need for care, it probably would have run out and still drained his assets, benefiting Medicaid only and not his family.

A DIFFERENT ENDING WITH THE NEW LAW

If my father had purchased a long-term care policy under the new law provisions that paid, for example, \$200,000 in benefits, he rather than Medicaid will reap those benefits. His eligibility for Medicaid would now be \$203,000 instead of \$3,000. This new law would have allowed him to shelter an additional \$200,000 from the government for the benefit of his family.

HOW YOU CAN USE THE NEW LAW TO SELECT THE LEVEL OF LONG-TERM CARE INSURANCE YOU WILL NEED

Look at your estate value. You now can protect all or a part of it from having to be drained as a result of your needing long-term care. If you want to protect all of your current estate, you buy a Long-Term Care policy for the full cost of today's care with lifetime benefits and a five percent compounded annual benefit increase without any premium increases. If, on the other hand, you are willing to spend some of your assets down but still preserve say \$500,000 or \$1 million, buy a Long-Term Care policy that will pay that much in benefits (i.e., a policy paying \$250/day equals \$7,500 a month, equals \$90,000 a year). To shelter \$500,000, you would need a five-year or six-year benefit period. To shelter \$1 million, you would need a ten-year benefit.

"AT WHAT AGE SHOULD I START LOOKING AT LONG-TERM CARE INSURANCE?"

You should probably start considering it in your 30's or 40's at the latest, after you have successfully implemented the death and disability insurance protection that you need for your family's benefit. (It is so much cheaper at younger ages!) Here are the statistics on long-term care. Currently, 13 million Americans are receiving long-term care treatment, either at home or in some kind of a care facility. Surprisingly, to me anyway, 43% (almost half) are between ages 18 and 64. The bottom line is that, if you're concerned about long-term care risks, regardless of your age, it's something we should talk about, especially considering this new government benefit.

FOR HELP ANALYZING YOUR NEEDS

For help planning the best type of coverage for yourself as well as help getting quotes and comparing them, call Carol Bechay or me directly. You can reach Carol at 952/896-9536 and me directly at 952/896-9534.

"WHAT IF I ALREADY HAVE LONG-TERM CARE INSURANCE?"

Congratulations! You will be "grandfathered in." Whatever benefits you eventually collect from your current policy will be ignored if you later on need to apply for Medicaid help. Contact me or Carol if you want to consider increasing your benefits in view of the new law change.

IF YOU HAVE TRANSFERRED THE OWNERSHIP OF YOUR RESIDENCE TO A TRUST

This is just a reminder that if you transferred the ownership of your home or other tangible assets to a trust to reduce future estate taxes, you do have a significant gap in your insurance coverage. Namely, the owner of your assets—your trust—is not insured by any of your insurance policies. In other words, trusts are not automatically covered under any policy. If your home burns to the ground or somebody gets injured and the trust gets sued, those assets in the trust are completely unprotected. I have a good solution that can protect the trust ownership on both your Homeowner's and Umbrella policies. Call me or Carol Bechay to help you get the right coverage endorsements to all your policies so the trust assets are again protected properly.

**NEW HSA
CONTRIBUTION
LIMITS FOR 2008**

If you recall, starting in 2007, Health Savings Account contribution limits are no longer tied to the deductible on your health insurance policy. They are completely independent of one another. For calendar year 2008, the maximum contribution that can be made to an individual Health Savings Account is \$2,900 for singles, and \$5,800 for families of two or more. Individuals age 55 and older can also make an additional catch-up contribution of \$900 each for 2008.

**AN IMPORTANT
REMINDER ABOUT
MAKING YOUR
HEALTH SAVINGS
ACCOUNT WORK
WELL**

You will have the least amount of administrative hassle and the smoothest claim settlements if you fully fund your Health Savings Account for the year at the start of the year rather than trying to fund it monthly. That way if you have some larger bills right in the beginning of the year, you will have enough money in your Health Savings Account to pay those bills without causing a lot of administrative headaches if you're under-funded.

Remember that Blue Cross does not handle Health Savings Accounts. They just do the medical coverage. For Blue Cross, to review anything about your health policy—claim status, deductible incurred to date, getting extra ID cards, etc., visit www.bluecrossmn.com. If you haven't already set up an account there, I encourage you to do so.

**FOR CUSTOMER
SERVICE ON YOUR
HEALTH POLICY OR
YOUR HEALTH
SAVINGS ACCOUNT**

The phone number for Customer Service for Blue Cross, on the health policy, is 651/662-5030. The phone number for Customer Service on your Health Savings Account if you have it with Blue Cross affiliate Select Account is 651/662-5065. Remember that the Health Savings Account can be set up anywhere you can set up an individual retirement account. It does not have to be through a Blue Cross affiliate. So if you're having problems with Select Account, remember that you can move your funds to your favorite bank, for example.

**WHY ELECTRONIC
PAYMENT PLANS
MAKE GOOD RISK
MANAGEMENT SENSE**

I think one of the saddest things that can happen to someone is to take the trouble to set up a great insurance program and then have their insurance lapse and not be there to cover a claim when you need it simply because there was a bill laying on the bill pile that didn't get paid or simply because they were out of town when the bill came and, therefore, the bill wasn't paid. A great way to protect against this is to have all your insurance payments set up on electronic fund transfer—monthly, quarterly, annually—whatever works best for you. The best case scenario is you'll never, ever face the risk of accidentally being without insurance due to a late payment. The worst case scenario is you may have a check bounce occasionally, but you typically have 30 days to make good on a check before losing your insurance. So you're well protected in either case. If you agree with this philosophy, call our Customer Service Department and tell them you want all your payments set up electronically from here on.

**ATTENTION ALL
BUILDING
CONTRACTORS—
A MAJOR LAW
CHANGE!**

On August 1, 2007, in Minnesota, anyone acting as an independent building contractor or subcontractor must now obtain an independent contractor certificate from the Department of Labor. Without such a certificate, a person will be considered an employee for purposes of Workers' Compensation and Unemployment Compensation. The rules say that an independent contractor must obtain the certificate before any services can commence. The nine-point test for independent contractor status which has been used to date will no longer be adequate by itself. Second, every licensed building contractor must file a "Certificate of General Liability" insurance with the Commerce Department and all insurance companies of the contractor will be required to give the Commerce Department 15 days' notice prior to any cancellation. This new law applies to construction contractors only—not independent contractors in other industries.

**SAFECO ANNOUNCES
“TEENSURANCE”**

How much fun will this be! Safeco announced a new service that gives parents a way to determine how their teen is driving. The system can alert parents when a driver exceeds a preset speed limit, for example. It also includes roadside assistance to deliver help for teens when they need it. What’s included is the ability to track a car’s location online and in real time. Have a car door remotely unlocked. Set speed alerts. Set a driving curfew. Set safe driving zones to create geographical boundaries for young drivers. Access to roadside assistance 24/7. Track the vehicle if it’s stolen. I’m no longer a parent of a teenager, but I’m having fun imagining being one right now.

**HOW MUCH DOES IT
COST?**

Safeco offers an introductory price of \$14.99 a month, guaranteed for two years. The regular price for Teensurance is \$29.99 a month. Safeco also includes a free, one-time professional installation of the device in any vehicle. This device is probably a good idea since car accidents are the number one killer of teenagers. But I can’t help but laugh at the possibilities of using this in some kind of stand-up comic routine, like a Saturday Night Live skit with Dan Akroyd as the father explaining to the son, John Belushi, how it’s going to work and be to his benefit. If you have Safeco car insurance on your teenage driver, have fun!

**ANNOUNCING A
MAJOR HEALTH
INSURANCE LAW
CHANGE REGARDING
COVERAGE FOR
UNMARRIED
CHILDREN UNDER
AGE 25 YEARS OLD
IN MINNESOTA**

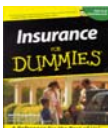
Until now, your children could only be covered under your individual or group health insurance policy in Minnesota until age 19 unless they were a full-time student. Many of these young people who were not in school, if they weren’t covered by their parents, often had jobs without health insurance and didn’t buy coverage on their own. A good portion of the uninsured people in our state are young adults. Effective January 1, 2008, a dependent by law is now defined as “an unmarried child who is under the age of 25 or a dependent child of any age who is disabled.” For those of you with unmarried children over age 19, it will no longer be an issue as to whether or not they are in school to be covered. You can voluntarily keep them covered on your plan to age 25 if you like by simply paying the premium. It is not a requirement that they be your dependent, nor is there a requirement that they live in your household. Please pass this information on to your friends and neighbors with college-age children. This is a major change. For additional information or help with your specific situation, call the customer service phone number on the back of your health insurance ID card.

On September 24 and October 15, I’m having the final two procedures (out of a total of four) done as part of my Medtronic Deep Brain Stimulation surgery at the University of Minnesota to help manage the symptoms of Parkinson’s. As I reported in my fall newsletter a year ago, the results were spectacular after the first two. Hopefully, they’ll be half as good after the last two.

Wishing you a gorgeous Fall Season with people that you love.

All the best.

Jack Hungelmann



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