Perspectives
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Protecting, Preserving and Planning for the Future of Your Wealth

By Ryan George, Assistant Vice President of Marketing and Communications, 1st Global

Wealth is more than just the amount of assets on your balance sheet. Wealth represents the opportunity of a college education, home ownership or financial security that you can bestow on your loved ones or those in need. While most of life is spent accumulating and protecting wealth, effectively transferring wealth is a critical step to ensuring that your hard-earned assets are preserved. With an estimated $30 trillion set to be transferred in the coming decades, the need for expert financial planning for those leaving wealth behind, and those receiving it, is as great as ever. The earlier you have a plan in place, the better.

Historically, the generational transfer of wealth through inheritances and gifts has accounted for up to 50 percent of total household wealth accumulated in the U.S.[1] From 1989 to 2007, transfer of wealth accounted for 23 percent of American household net worth, according to the U.S. Bureau of Labor Statistics. Despite these historical trends, statistics show that 70 percent of heirs “lose it all” (money, assets and family harmony) after an estate transition.[2]

The 2017 U.S. Trust Insights on Wealth and Worth™ Survey found that only 42 percent of high-net-worth parents feel very confident that their children have the capacity to manage money responsibly.

Despite an evident need for cross-generational dialogue with your loved ones and your financial advisor, more than half of baby boomers and a quarter of The Silent Generation have not yet spoken with a financial professional about planning their legacy.[3]

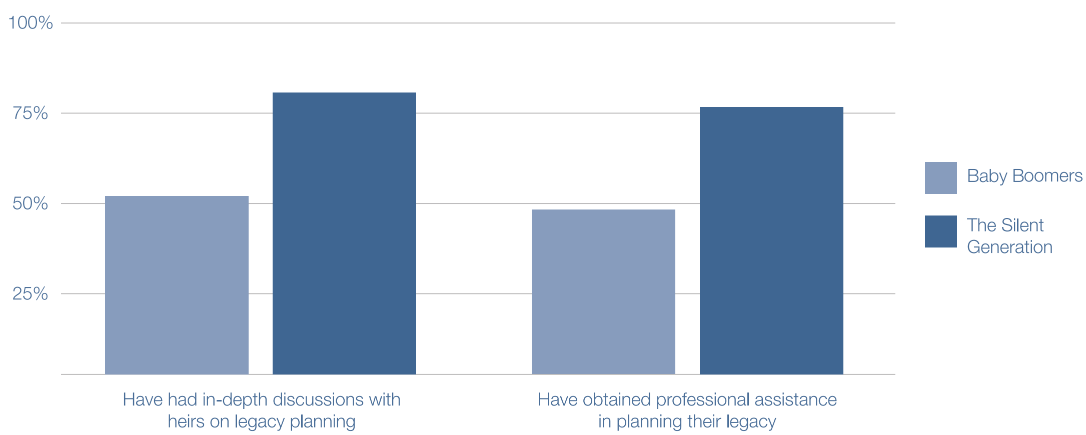
Through conversation and legacy planning with your advisor and a qualified attorney, you can uncover significant factors that may impact how much you will leave behind. Key points to consider are: life expectancy and retirement age; unanticipated events and health care expenses; market fluctuations, rising interest rates and inflation; taxes upon death; and the needs of your heirs and family members.

Your advisor and a qualified attorney can help you put in place and properly fund the following:

- Revocable Living Trust
- Charitable Trust
- Pour-over Will
- Declaration of Guardian
- HIPAA Release
- Medical Directives to Physicians (Living Will)
- General and Medical Powers of Attorney

Preparing estate documents can help reduce costs such as taxes and administration expenses, bequest specific heirlooms to appropriate heirs, designate charitable donations, grant executor powers and more.

While discussion of wealth, death and inheritance is likely to make you and your family members uncomfortable, communication of your intentions with your financial advisor and family can effectively create a plan for each of these factors to ensure the dreams you have for your wealth are fulfilled. Don’t wait until it’s too late to have this important conversation.



Source: The Allianz American Legacies Pulse Survey, 2012

1 Inheritance and the Distribution of Wealth or Whatever Happened to the Great Inheritance Boom? Bureau of Labor Statistics, January 2011.
2 Starting the Post-Wealth Transfer Conversation, Elite Advisors Forum – October 2010.
3 The Allianz American Legacies Pulse Survey, 2012.

Evaluating Your Need for Long-Term Care Insurance

By Jason Allen, CFP®, CLU®, CLTC, CAS®, Senior Advisor, Wealth Management Consulting, 1st Global

What if I have a stroke?
What if I am diagnosed with cancer or Alzheimer's?
What if I have an auto accident?
How will I be able to pay for my care?

Those are questions that many of the 10,000 baby boomers retiring each day are asking themselves. Unforeseen illnesses and dramatic events that require long-term care (LTC) can easily deplete what was once thought to be a comfortable retirement nest egg. Research from Genworth Financial shows that the median annual rate for a room in a private nursing home has risen more than 30 percent since 2007 to $97,455.[1] Those remaining in their homes but requiring in-home care can expect to pay $22 per hour for a licensed home health aide or $21 per hour for a helper, according to the Genworth survey.

With costs rising, one way you can alleviate some of the financial burden is to purchase a LTC insurance policy. LTC policies can provide essential funds needed to pay for nursing or in-home care.

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>
> **$97,455**

Is There an Ideal Age to Purchase LTC Insurance?

The cost of coverage rises as you get older. While the ideal age to purchase LTC insurance is up for debate, most people can purchase reasonably priced policies during their 50s. This is often the optimal time for two reasons:

1. Most people are relatively healthy at this time and have a reasonable expectation that their health will not improve as they age.
2. They have more disposable income due to financial obligations to children abating, less mortgage liabilities and/or incomes at or near their highest levels.

The premium on a LTC policy at age 50 will be significantly lower compared to 60 or 65. For instance, a LTC policy for a male that provides $150 of coverage per day for three years with a 3 percent increase each year at the standard married rate would cost approximately $1,132.92 at age 50. However, the cost jumps to $1,454.95 and $1,826.01 at age 60 and 65, respectively. That's a 61 percent difference between ages 50 and 65.

Cost is not the only consideration either. Insurability also generally decreases as you get older. The percentage of Americans who are declined coverage is 30 percent for ages 60-69, and the rate of those declined coverage jumps to 44 percent for people ages 70-79.[2]

What do Insurance Companies Look at to Determine Pricing and Eligibility?

Gender

Gender has not historically been a significant pricing factor. However, that has changed recently as most carriers have instituted gender-based pricing models. We expect this pricing change to remain permanent throughout the industry. This change affected women the most, with pricing increases between 20 and 40 percent. This is because women will most likely have more claim dollars paid to them versus men. One carrier's statistics show that women receive two-thirds of all claims paid.

Age

Another major consideration in pricing is, of course, age. As one increases in age, the likelihood of a LTC event increases and premiums must increase to reflect this. You will generally begin to notice considerable year-over-year increases once you reach your mid 60s and dramatic year-over-year increases in your 70s for a newly issued policy.

Benefit Construction

Traditional LTC insurance is very customizable. In general, you have four core decisions to make as you build your policy:

1. Benefit Amount
2. Benefit Period
3. Inflation Protection
4. Elimination Period

Of the four core decisions, inflation protection may have the greatest impact, and as such, carriers have begun to offer more inflation protection options, such as three percent compound or inflation protection for 20 years versus a lifetime, to assist consumers in keeping premium cost as low as possible.

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1 "Genworth 2017 Cost of Care Survey," September 2017.

2 American Association for Long-Term Care Insurance study of data from leading traditional LTC insurers. April 2018.

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