

## Buying long term care insurance is a waste of money!!

**“You have more than enough money to pay for long term care if you ever need it, so don’t waste your money buying long term care insurance!!”**

That is the **advice** that many financial advisors, CPAs, attorneys, and insurance agents give to their clients.

So, is it the **right** advice? Let’s find out.

Imagine that you have **\$3,000,000** in assets – your home, your 401k plan, your savings and investments.

Imagine further that you have **no** mortgage on your \$1,000,000 home, and you start wondering **why** you should keep paying your homeowner policy premiums.

So you call up your financial planner, Peter, and say: “Peter, my home is paid up and I have enough money in the bank to build it back up on the remote chance it may burn down. Why don’t I **cancel** my homeowner’s policy and save myself some money?”

Peter says, “Don’t be **irrational** – anyone can give their money away and why would you want to take the risk that you could lose **33%** of your assets?”

You say, “That makes sense.”

The next day you call Peter up again and say, “Peter, I have another great idea. I can save \$1,600 a year by **canceling** my disability insurance policy – after all, on the remote chance that I become disabled I can start **liquidating** my 401k plan to pay for my living expenses.”

Peter says, “**Self-insuring** your health is one of the **craziest** things I have ever heard – and why would you want to take a risk that you could spend down **all** of your retirement plan assets on healthcare?”

You answer, “What was I thinking of? Thanks.”

A week later you call up Peter and say, “If I **cancel** my liability and E&O insurance, I can save \$3,500 a year – after all, the chance that I will ever be sued for negligence is remote.”

Peter replies, “I’m tired of these stupid calls – You are either **deranged** or you are putting me on.”

You promise not to call Peter again with your **cockamamie** risk management ideas.

But ... a month later an insurance salesperson tells you that the **costs** of long term care can run over a million dollars as the result of severe strokes and injuries, or from illnesses such as Parkinson's, Multiple Sclerosis, and Alzheimer's. He also tells you that according to the latest statistics, **70** out of **100** Americans reaching age 65 will need some kind of long term health care and **20** of them will need care for more than **5** years.

Even though you promised never to call Peter again, you decide to run this by him.

He says, "What now – please don't tell me you want to cancel your **life insurance!**"

You say, "An insurance guy wants me to buy **long term care insurance**. Sounds like a smart thing to do because if I ever need extended health care, I will either have to pay the costs from **income** – and live on **less** – or pay them by **liquidating** my assets, which are earmarked for my family. In addition, the **odds** that I will need long term health care are far **greater** than my house burning down, becoming disabled, or being sued for negligence – but the premium is \$5,000 a year, what do you think?"

Peter says, "You would be foolish to buy that insurance – after all, you have more than **enough** money to pay for the care if you ever need it."

You reply, "Thanks, I appreciate your **consistent** advice on how to avoid risk – and by the way, since you are recommending that I **don't** buy the insurance, will **you** pay for my long term care if I ever need it?"

Peter says, "Now that you put it that way, long term care insurance might be something **we** should consider!"

For more articles please click [here](#).