Episode 125 The Importance of Incorporating Long-Term Care Into Financial Planning with Jason Rizkallah

Wed, May 08, 2024 10:16AM • 45:01

SUMMARY KEYWORDS
long term care, policies, insurance, coverage, happen, people, retirement, folks, assets, cost, event, wade, benefit, plan, clients, type, premiums, good, mclean, standpoint

SPEAKERS
Alex Murguia, Jason Rizkallah, Bob French, Wade Pfau

Bob French 00:00
The purpose of retire with style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to risaprofile.com/style and sign up to take the industry's first financial personality tool for retirement planning. Long term care planning is not easy. Retirement Planning isn't always that easy, either. What do you get when you combine them something that you should probably be doing?

Alex Murguia 00:54
Helloeveryone. Welcome to retire with style. Alex and I'm with I'm here with my good buddy, Wade, and we are continuing our arc on long term care. And we have another guest, McLean's very own, Jason Rizkallah as they say, No one beats the Riz welcome. Yeah, right. Welcome Jason man, how are you doing?

Jason Rizkallah 01:23
I'm doing very well. Thank you guys for having me on here. Really

Alex Murguia 01:29
is ours. And just a little recap you've been on. You're one of our reoccurring guests we had. You know, we're having a few advisors from McLean join us, simply because, as I said in the in an episode previous, you know, in theory, theory and practice go together. In practice, they don't. And so we think it's very important, even though Wade and I can just talk about, you know, the the ins and outs of long term care, from what, what the, what the rules say, if you will, you have a lot of wisdom from working with clients, and we always think that's important. And so we wanted to give as much attention to like, the real, Reality of Things, and what you would do from a spider sense standpoint, and how you blend that with financial planning, best practices. And with that, I'll let Wade. Kick it off.

Wade Pfau 02:19

Yeah, yeah. So we're excited to talk to you about that practical side of long term care, and examples you have about working with clients to determine a long term care plan. I think you've got some interesting cases there that we can talk about, as well as just the general how do you actually incorporate long term care into a financial plan. So don't know the best place maybe, maybe a story is the best place to start. If you kind of walk us to an example where working with a client, thinking about long term care, insurance options and experience with where that ultimately was successful? Sure,

Jason Rizkallah 02:57
absolutely yes. There's a few stories that actually come to mind right off the forefront. One very predominant one, because this one had an unexpected kind of twist to it, if you will. I was working with clients in financial planning capacity, and very, you know very well, to do clients very educated. And we were talking about long term care and insurance coverages in general, you know, just you know, just life insurance, health insurance, and long term care, of course, came into the to the equation, and we were discussing that. And these folks were in generally really good health. You know, I wouldn't say top notch, if you will, but they were in good health. They took care of themselves in all the proper ways. So, you know, long term care was kind of a side thought for them, you know, at least initially, you know something that what happened perhaps 30 years down the line, or something of that nature. They were in their mid 50s. So when most people think of long term care, they're thinking of something that occurs much later in life. And maybe for the majority of folks, that is the case. But you know, it certainly isn't the case for everybody you know in that matter. So we were discussing this topic of long term care, and initially it was something they didn't feel that maybe held value to their overall plan or to their financial situation as it was so far down the line and unpredictable as to whether they would need it or not. Certainly both of them needing it or not. But, you know, we continue the conversation. And ultimately, we decided for them that it would be best to get some coverages, you know, within it, and there's a variety of different ways you can get Long Term Care coverage. And for them, we chose a specific option that fit their situation very well. Well, lo and behold, you know, the the plan kind of dictated that this would probably, if at all, come into use later on in life. A few years passed, and actually an unexpected event occurred where the wife slipped on ice, on the on their front stairs and hit her head. And due to that injury, she. Actually had to be admitted to a care facility, which the long term care policy came in, yes, I mean unexpectedly, completely out of the blue, much earlier than expected. Yeah, that long term care policy came in and actually provided benefits for that care that happened just a few years later. You know, something that completely out of left field and and that example always resonates with me when I'm speaking with folks, because, one, it's a real life example. This, this truly happened to somebody, right? It isn't a fabricator, a hypothetical. You know that that could happen, that sometimes can come into the conversations with insurances, like, well, maybe, or perhaps, or there's a chance. I mean, this actually happened, and no way to plan around that otherwise. But the policy came in provided coverage, well appreciated coverage for them, and she was able to get the care that she needed with those assets. But a clear example of when unexpected events happen, things do occur, you know, in life that we obviously can't plan for or plan around, but it can add assurance to have these types of insurance policies in place to help protect against, you know, these types of events from happening. And this all came about from other an otherwise kind of successful plan, if you will. You know, a plan that was successful without this type of coverage for the long term. You know, not a glaring like need or desire for it, but one that provided a benefit nonetheless.

Wade Pfau 06:29
Yeah, and could you talk a little bit about what kind of insurance they were able to use in that case? Because we have this whole ongoing discussion around the traditional long term care insurance policies, are, yeah, getting more and more expensive. As if we usually think of insurance for a low probability or, well, yeah, low probability, high cost event. Long Term Care is more of a high probability, high cost event. So there's the hybrid policies. And I think that's a situation where you were able to find a hybrid policy for for this particular case,

Jason Rizkallah 06:59
that is correct. So we identified that the hybrid policy, which was a combination of a life insurance and a long term care policy together, so offered a death benefit and a long term care benefit in one package, if you will. And it was actually funded with a lump sum, you know, of assets that were placed into it, and based off of that amount of the lump sum was where those benefits kind of were derived or calculated from. So depositing the assets to it and then generating the benefits that would be paid out under those circumstances from it. So the benefits were known ahead of time, what they would be, you know, at the time, as it as it played out over time, and it it definitely added value for them, one because it didn't participate in the the kind of traditional long term care, you know, where you have a policy, you pay premiums annually, and then they adjust premiums perhaps, you know, down the road. And it can come very costly very quickly, although that's still a very good way to get the benefit. You know, it's, it's more, it's more, less predictable, if I can use that term where what you're going to pay for this coverage, you know, in the long term, while those types of policies, obviously it's a lump sum that funds it, your cost is already taken care of with that amount. So that was a policy that we identified was best for them, and it worked out to their favor.

Wade Pfau 08:19
Yeah, and you mentioned that's kind of on the general point about why hybrid policies, like generally combining life insurance with long term care, have become more popular the they don't have the unpredictable premiums, whereas with traditional long term care insurance, we've seen huge premium hikes over time that make the policies less affordable. And also behaviorally, there's that use it or lose it mentality, which is often true with most types of insurance, where if you don't have a claim, you paid premiums for that insurance that ultimately was not realized. But with the hybrid policies, behaviorally, I think people can appreciate it's life insurance. It's if you got a pure life, standalone life insurance. It probably would have had better terms, but at least you have long term care protection, and if you don't need it, you still have the life insurance death benefit at the end. It's

Jason Rizkallah 09:09
very attractive, you know, to many folks, because, like, as Wade said, that the benefit will be used one way or the other. You know, there,

Alex Murguia 09:19
and Jason, without, you know, identifiables and things like that, and just curious how the story ended up. Because obviously, there's this who, you know, dodge, obviously you always wish the best for the lady that's lived and everything like that. But all things you know, in consideration of that, how is that progressing along with that person?

Jason Rizkallah 09:43

Yes. Well, very nice. She, she was able to get out of that care facility, right? So she, she got better, and was able to leave it in time for the the benefit to not run its course, right? So, so that was good. So she stayed there within the benefit base, um. The nice part about it is that it helped preserve a lot of their assets that were otherwise going to be used to fund their retirement over the long term. And as planners, we know that money you use at the beginning of retirement has a greater effect right than money used later on. So the fact that this happened so early in their lives to have that kind of financial hit to their overall net worth, it would have had significant repercussions throughout the length of their plan, because that upfront money was not planned to be spent at that time. It was planned to be stretched over their retirement. So it helped to preserve much a great deal of their wealth that they were able to then continue on with retirement as it should. Small tweaks had to be made to it. But nonetheless, it didn't derail them. It didn't, you know, ruin what you what would otherwise be a successful retirement,

Alex Murguia 10:48
and on orders of magnitude, this would have been a significant like, yearly expense.

Jason Rizkallah 10:53
Yes, yes, she was in there for three years. The last year was, you know, not quite the full year. So I'll say two and a half, if I wanted to be a little bit more. Yeah. So it was, you know, a lengthy event. Wasn't just a in there for a few months and out, you know, type of situation,

Alex Murguia 11:09
you know, Wade, I started thinking when Jason was talking about this, like the fragile decade, but nothing to do with the stock market. It's like an unexpected, huge expense as soon as you retire. Can kind of have the same effect, right, but amplify

Wade Pfau 11:23
sequence risk if you have to take a large distribution early on in retirement,

Alex Murguia 11:29
yeah. Okay, no. And so you were talking about the planning. How do you incorporate when you're doing for those as well scoring at home consumers? What advice would you give them? Well, two things. How do you incorporate it into the planning that we do at McLean. Someone comes in. How do you account for long term care? Do you go right to the hybrids? Do you go to the regular policies? Whatever? I don't want to lead it. You know you're doing. The other piece is for someone scoring at home, what advice would you give them in how they think about it when they're doing their Excel calculation, planning, that kind of thing, and what could be some Gremlins that they may not be looking at that you take into consideration when you're modeling for potential long term care?

Jason Rizkallah 12:19
Absolutely happy to kind of further elaborate on those. So when it comes to our approach within planning for individuals, we work in long term care events for every financial plan that we generate for individuals, because, as Wade said, high probability, right, that this will occur, and high cost for both. So when you have those two factors coming in, it better be something that's included. You know, in your long

Alex Murguia 12:44

term care event is different than long term care insurance. Correct,

Jason Rizkallah 12:48
correct. So, so what we do is we actually stress test folks plans for long term care to see what happens when these events occur. What is the effect it has on somebody's financial plan success, okay, as a result of this. Now, this is long term care events that helps us to then see the impact it has to their situation without coverage, right? Without coverage, and the comfort level with that, with the outcome from that analysis, whether it's good or bad. You know, we present that to the client as saying, Look, this is what you're exposed to right now, potentially, should this event happen to you, right? Is that something you're comfortable with or not self insuring, if you want to, then, oftentimes, we'll work in a plan that includes whatever we identify as a type of policy that would be best for them as far as the features of it. You know, how it would work. But we show a plan using long term care insurance, you know, in the event that that happens. And you can very clearly see, you know, distinguish the differences between, okay, if I have this coverage, including the cost of the coverage right into the expenses, because that's obviously something we need to do, um, versus not having having it and compare. Just, just look at it and compare very easily what happens in your situation. That's it. That's a a common approach that we take with individuals to just clearly map out what it would look like without the coverage in this event happening versus having the coverage in the event occurring for them. Now, the the trickiness that comes with that is, as with my example that I shared earlier, we don't know the timing of when this event could occur right now. Again, for most folks, it will happen later on in life, but that's not a certainty for everybody. And with the high cost of this type of event happening and the different at the different times it can happen at, I mean that in itself, is something that's very hard to kind of plan around. From a planning perspective, you can run different scenarios and see what would happen, but we know it's not going to work out that way. You know it's going to be something different than what essentially appears on paper. So what we do, just as a default, is that we use. Is very specific information as far as where the client lives at the time the event is to occur, and when we plan it in. We plan it in at the towards the end of life, because that's when it's potentially going to be the most expensive for you after inflation kicks in all these years now we also increase and this can help with folks that are doing self planning on an Excel spreadsheet. Perhaps, as Alex said, the inflation rate that you use for this, right? We double the kind of normal, standard, general inflation rate is what we use in ours. So if we're using a 3% inflation rate and plan, we're going to use 6% on the long term care side. For using two and a half, we're going to use five, you know, just as a precaution for that, because we do realize the cost of that inflates at a much higher pace than general inflation does. So that's how we account for the rise in costs. In it, the event happening, we have it occur towards the end of life, because again, that's when it could inflate to its most and again, the probability of it happening later on in life is more likely than it happening sooner, even though it may, you know, but still, as best we can plan out, that's what we do. We push it out towards the end of life, when it's at its highest cost for folks. But of course, that can be moved around, you know, as needed, but we use where you're going to be living at the time that that event happens. So if you're living in, you know, XYZ state today, and you're looking at the average, you know, private nursing home care, that's what we base it off of, which is the more expensive type of care, but the more preferred, you know, for most folks, then, you know, you might be looking at $100,000 just using just a, just a very general example here. But if you move to a different state, that could be 131 40, even one thing 60. You know

Wade Pfau 16:44

variations, the cheapest areas that Arkansas, Oklahoma, Missouri, Texas, once again, into the northeast part of the US. You can be looking at double the price

Jason Rizkallah 16:55
west coast. Yeah, right. California, very expensive for it.

Alex Murguia 17:00
Hang on Wade's Wade's audio is not coming in clearly, so he typed in a question, is it better to be in a red state or a blue state? It varies. The point is, it varies on state. And there you go. One thing you asked that I was thinking about here is when you're running the numbers and if people can self insure or not, you kind of hinted towards it, if they can self insure and and let's say that the the assumed cost is $500,000 I'm making this up, right? Sure the assumed all in cost, if something would happen, it'd be 500,000

Wade Pfau 17:49
and you're talking about the today, in today's dollars, yeah, in today's dollar,

Alex Murguia 17:53
versus if they, if they don't, if they're not playing us up, sure they're gonna get long term care. And that long term care is gonna, let's say you're all in cost would be 400 grand, 450 grand, something. That's a little less, right than the all in cost. How do, how do people tend to react to that, where they can self insure it'll be a little more, but the odds, maybe, yes, high probability, and this and that. But maybe they're, they're hoping they get a heart attack, you know, and they're done. You know, they got a heart attack in their sleeve, and they're done. You know, that not to be morbid, but I'm being morbid again. You know, how does that play into folks heads in terms of, yes, they can afford the self insurance, but it may cost a little bit more than if they get the policy. So what, where do you find them kind of tilting or not, or what would you suggest?

Bob French 18:41
Are you getting close to or are you in retirement? Well, investing during retirement is a little bit different than during your working years. Your investments are there to help you pay for retirement, and now is when they need to earn their keep to make sure you're on the right track. Download retirement researchers eight tips to becoming a retirement income investor by heading over to retirement. Researcher.com/eight tips again get retirement. Researchers, eight tips becoming a retirement income investor by going to retirement. Researcher.com/eight tips. That's the number eight tips when

Jason Rizkallah 19:20
it comes to a scenario like that, where you know the difference is not significant, right between the two, if you will,

Alex Murguia 19:28
it's not your 100 grand.

Jason Rizkallah 19:29
Yeah, right? Easier to easier to say that, I would say it really comes down to preference, you know, for many folks, and whether or not, you know, this is something they see value in beyond just the numbers, but in what it provides, and maybe the security and safety that the insurance

provides over not doing it. You know, I think that has a lot to do with whether or not it's worth moving forward with some kind. Policy does

Alex Murguia 20:00
that have a stronger pull? From a psychological valence standpoint, what they prefer versus the obviously cost, you know, there's, it's, you know, there's a reality component of things, so I respect that, and from a cost standpoint, but let's say there's, there's the ability to go either way, then cost becomes significantly less important, as opposed to what it what it solves for for them psychologically,

Jason Rizkallah 20:26
you know, I think initially the reservation perhaps against getting insurance Long Term Care Insurance, specifically, is the cost. But there's more to it than that, once you really start to kind of dig deeper, right? Because even in cases where maybe I've worked with, I've worked with folks that have said, you know, hey, it's too expensive, you know, I'm not going to get that kind of coverage. And then you, when you work through it, you come up with, oh, well, actually, it's compared to what you could be paying out of pocket, right? It's, actually much cheaper, right? It's usually not as close as as your example, it's usually much further apart,

Alex Murguia 21:05
right? I was purposely trying to get something close, but, yeah. But

Jason Rizkallah 21:09
even at that case, they still don't move forward with the policy, right? Even though the cost clearly outweighed what you'd be spending out of out of pocket, you know, for it, yeah. So there's much more to it than just the cost, even though that might be the initial, you know, kind of feeling, you got to go deeper and figure out, you know, is this something that adds value or not, based on what the client is looking for, you know, and what and what they're looking for. Now, ultimately, sometimes we still recommend the policies and they're not implemented, and that's up to up to the clients to decide that. But you know, as planners, we've identified it and at least presented it as options that should be considered.

Wade Pfau 21:49
And then part of that too could just relate to, like with the within the retirement income style awareness, the true liquidity preference, which is this idea that you have to have assets earmarked for different uses. And part of that means, if you have a contingency, if we're talking about this $500,000 potential contingency, well you have to have $500,000 set aside as reserve assets. And if you're depending on how you're going to invest those just having, if you feel like you have to keep that in cash, even though the long term care event may be in the distant future, or at least the odds are it's in the more distant future, how are you going to invest those funds that that could be a consideration? I think, two other points too about long term care insurance that why someone might consider that the issue is just the idea. Maybe with a blended family, it might be more relevant, of with insurance, that care will be accessible and available. Without insurance, people might start to worry, well, what if I spend this money? Am I spending my children's inheritance and so forth, and so, I think that can be potentially, I don't know if you've seen cases like this, a draw towards considering insurance, and then also just the idea the care coordinator benefit that a lot of insurance policies have, where if you need

care, there's a professional who will help find that care for the individual. Do you have any experiences with those kinds of features of insurance

Jason Rizkallah 23:17
when it comes to preserving the assets? Yes, like from a legacy standpoint, that's certainly one when it comes to the assistance of, you know, finding an appropriate caregiver. I don't have so much experience with that, but that would add value for folks that obviously, when you're naturally right, if you're starting to work your way towards this type of facility, you know, many times you can start to have cognitive issues, right? So your own ability to locate somebody, it could be very difficult if you don't have a support, you know, family support as an example, helping you do it, right? So having those types of services available to you can add extreme value. You know, at that point for that and that, I do actually have a lot of experience with working with individuals that you know start to develop cognitive issues, right? And the assistance with it that's necessary. So having that kind of support on our policy, I mean, would would certainly add a lot of value.

Wade Pfau 24:18
And I think this is where the practical side, I think a lot of policies have that sort of care coordinator provision included. Have Have you seen like, is there a number of policies out there that don't have that feature? So it's something people might want to watch out for?

Jason Rizkallah 24:33
Yeah. I mean, that would certainly be something to inquire about, right? When you're starting to narrow down who the provider is going to be, you know, if that's something that is inclusive in the policy or not, because I have seen policies with it, seen it without it, you know, so making sure that it is what's there if that's what you want, and why not have that right if you can for it. But yeah, I've seen policies both ways, you know, with it, yeah. Yeah, great,

Alex Murguia 25:03
that's good. And so what? When, when you're doing it for the planning, you know, you run it with money, you assume some some events going to hit towards the end, and then you just effectively run a Monte Carlo and figure out, you know, does it bankrupt the portfolio or not, etc, etc, correct? That is correct. Yes. All right. And then, to Wade's point, I think what you're saying with true liquidity, for that, I want people to sort of take home is that there's potentially two issues. If they're just taking, let's say, a sustainable withdrawal rate from a portfolio, and they're banking on technical liquidity, and that not true. Liquidity is that they're going to be hesitant that, hey, I may, you know, I'm using my portfolio to fund my essential expenses, but I have to leave a little because I don't want to run out of money for essential expenses. But then they're going to have to put another sleeve in that that's specific for long term care, that has nothing to do with just funding essential expenses, correct? And so then, to your point, I mean, you're not utilizing your assets efficiently. Is what you're getting at Correct? Wade Jason,

Jason Rizkallah 26:12
yes, it's exactly what we said, Right? When you have this reserve asset, which is essentially would have to be set up, you know, from day one, you know, really, because you don't know, in this event, what happened? And now all of a sudden, that asset isn't it has to be safe, right? Has to be accessible. So you start to lose efficiencies, yeah, with with how you can invest, and you're actually how you're utilizing your assets throughout retirement,

Alex Murguia 26:36
okay? And how do you see it, all things being equal, what do you see playing out in the financial plan that, not from an Excel optimization standpoint, not from a preference standpoint, what do you kind of what do your spider senses tell you? You know, based on all the plans that you've done with regards to long term care, Does insurance tend to be a little more economically optimal or self insurance?

Jason Rizkallah 27:00
It? It varies. Actually, if I Yeah, if I were to put hard numbers on it, honestly, I know this sounds like a cliche answer, but it's 5050, you know, I mean, it

Alex Murguia 27:10
works out that means more reason to do a plan, but go ahead, yeah, absolutely,

Jason Rizkallah 27:15
because it's not leaning one way or the other. I can tell you, from a implementation standpoint, I think more folks opt to not get the coverage than get it right. So from an implementation standpoint, it definitely is. The majority of folks do not purchase the insurance, even if the numbers work out, you know, to where it does support buying it,

Wade Pfau 27:43
how much of that they may not be eligible. They with the underready. That's

Jason Rizkallah 27:46
the whole other side of it, where

Alex Murguia 27:49
I was getting at. So what is that this number just, yeah, exactly. What does that mean? Or, better yet, can you Okay, let's say the planning it all right, long term care is a viable option. What are the steps that they have to go through to to sign that sign on the dotted line to make the policy alive, and where? What are the hurdles in those nodes that people kind of fall back and be inertia, be it the pre existing conditions, etc? Yes,

Jason Rizkallah 28:16
that's the underwriting process for long term care. Is not a fun one. You know, for most folks, especially speaking, the traditional sense of coverage. And first, the first step is one, you know, identifying the amount of coverage that you're looking for, right, that you're looking to obtain, and how you want to structured with that certain waiting periods to be able to activate the benefits. You know, once the benefits kick in, what are they going to cover for? How long, for how much? Once all that's been kind of worked out through the plan, right? Like how that ultimately would work for you, then you kind of cast the net out to the providers and see what comes back on a general kind of quote, if you will, of policy coverage, right? With very general information about your health, you just fall into different categories initially on the first step. Once you get those quotes back, then you will look down and see, okay, these are the providers that are willing to do business in this space, okay, which unfortunately, has been getting less and less, you know, over the years. So you know, there's like, less competition for there's less insurance companies are willing to do it. Just this works the same for couples too. I mean,

because these people are going to each do their own now, sometimes there can be group, like, a couple's discount, you know, if you go with the same provider. But that's all worked out once you have, like, the providers kind of in front of you and what you're looking at and what you're looking at, and some general questions you can start to do to narrow down that list. Now, you said

Alex Murguia 29:46
couples discount. I want to get into that a little later, just the whole husband, wife, spouse thing, but go on. Sure, finish, sure. Yeah,

Jason Rizkallah 29:53
we can definitely, definitely touch on that. So once, let's say you've narrowed it down to the. Two, you know, different providers, or even one, if there's a clear difference, when you see the list of who's willing to offer the insurance in that space, for what the parameters that you set in, sometimes you can narrow down the one provider very easily. Sometimes, not right. Sometimes there's still, you know, two that you're kind of deciding between, or even three, it just depends on that. Then the once you've identified the one that you want to go with, you go and fill out an application for it. And that kind of kick starts everything with that company. There's an underwriting process that you go through that involves a lot of questions being answered, medical records, things like this, of that nature. They dive deep into kind of, how are you today? You know, what has already been on the record for you, pre existing conditions? That is a term that is used a lot in healthcare, insurance, you know, but also, also transfers over here, and that, that can be a lengthy process that can vary, though, from company

Alex Murguia 30:57
to company, means three months, six months a year, not a year. I

Jason Rizkallah 31:02
wouldn't say people

Alex Murguia 31:03
listening in. I wanna fair enough help them. Yeah,

Jason Rizkallah 31:07
I would say three, four months, you know, on average, again, sometimes quicker, sometimes little bit longer. Just again depends, right? Like what, what they uncover, what they're asking about, how many times they go back to you for information or not? That all varies and comes into play, but basically, there are some very common underwriting questions that you'll find out almost every insurer. And then sometimes you'll find ones that ask you questions that other ones don't, right, and it's part of their process for it. But basically, when you work with a knowledgeable Long Term Care Insurance Specialist based off of information that they've gathered from you at that point of filling out an application, they should be able to help narrow down. You know, if have a good sense, at least, hey, does this have a chance of being approved or rejected? Or what? You know, because you don't want to, you don't want to be declined. You know, at the end of the day, as much as you can avoid it, and it's a lot of time, effort and stuff that's put into that, plus that's also a question some some carriers will ask you, have you ever been declined, you know, for coverage? And so, you know, you want to avoid that, and working with a knowledgeable long term care specialist can help with that. You're not

just throwing your your kind of information out there at a bunch of companies and letting them decide things. You're working with somebody that has seen things before and knows, okay, you have this kind of condition. We don't want to go with this company. We want to maybe perhaps go with this one. You know, over here, that's very important. I didn't mention that at the very onset, but that's what's important about working with a with a long term care professional.

Alex Murguia 32:38
Oh, I think, I think your point about the simple question of, have you ever been previously denied? It sounds like cheating. They're using the due diligence of the previous you know, it's like, come on. Man, yeah, no. But so, so you know, within the purview and advisor shows you how specialized this is. So if we get to that point, what you would do is bring in, effectively, a specific expert on long term care to make sure you give yourself the best chance of success to getting it in the first time. Because if you don't, then, you know, you have a little bit of a scarlet letter on you. You can

Jason Rizkallah 33:18
have a blemish on your record, if you will, which might not, you know, not going to help you in the future. You know to have that so, or even at that time. So, yes, you're right. I mean, we identify the need. We identify kind of the coverage amounts and that as planners, you know, that's where we're taking it to, once this step is being made to move forward with the coverage, we bring in a long term care specialist into the picture. You know that knows those ins and outs of the different companies and what their offerings are to make sure that we're leading our clients in the most

Wade Pfau 33:49
appropriate manner. And by we You mean McLean asset management, correct? McLean asset managers. McLean has a long term care professional that they reach out to whenever the need arises to talk about a specific case.

Alex Murguia 34:03
I believe it happened so much. I mean, last time I checked, we have one on retainer kind of thing. So it's, it's one of those that it's hard to keep up sometimes with, with the the internet, it's not even keeping up the literature. It's just the actual business of long term care. Yeah, exactly. Now Wade when he's when Jason was speaking, I started thinking, and maybe Jason, you can provide some insight here. You know how there's a self selection bias for folks that get annuities like a spea or something like that, right? So they're priced with the idea that, hey, if you want a spea, that's because you're probably in good health. And so, you know, it's going to be priced accordingly, relative to, you know, as opposed to just the general population, if you will, because it's self select. Now, you said, which I agree with, long term care is a high probability, high cost event, regardless if you're healthy or sick, you know, because everyone,

Wade Pfau 34:59
yeah. People are the ones who will need care, more likely to

Alex Murguia 35:05
need it, yeah, well, okay, and the unhealthy ones will have, like the chronic, but not a chronic heart attack. That's the heart attack down the walking down the sidewalk, okay, yeah, you're right. Anything about that part? I was just wondering if there's a bias in the pricing on that was

where I was going with that adverse selection? Yeah, is there an adverse selection to that? But I'm not sure. Just sticking out loud,

Jason Rizkallah 35:27
no, that's a great point. Nothing that's been pointed out, at least if that's the case stated, if that is the case, yeah.

Alex Murguia 35:34
Okay. And so as we close out, is it fair to say the idea that you could make the case even before this arc, a lot of times, folks will say, Oh, long term care. Oh, they don't. People don't have those policies. More don't have those policies, policies anymore. They're too expensive. And they kind of they know something. They know they know about long term care, but they kind of rule themselves out immediately, simply because they think the landscape has priced everyone out of that market, is that, how would you answer? How would you respond to somebody that just casually says that in, you know, in consideration of today's market, in consideration of, like, a hybrid, etc, well,

Jason Rizkallah 36:15
that is a very common thought, you know, that people have, right? That it's just too expensive now, and the benefits are not good, you know, it's like this double negative, right? But then it

Alex Murguia 36:27
becomes like this thing that if everyone thinks that, you know, like they don't challenge their assumptions, is what I'm getting at. And so,

Jason Rizkallah 36:33
and we and, I mean, there's no clearer way to look at that than to actually build it into somebody's situation and see, you know, what happens, and then compare it to what is actually available, as far as coverages go, right. And saying, Here, look, this is it in action, you know, rather than just news articles or headlines or things that are saying this, yes, the market has gotten thinner, you know, with some of these things, and there are, have been some companies that have stopped doing long term care that that did it in the past. Okay, that's fine. The it's still an option here. There's still a market for it. There's still a need for it, you know. And as long as that is the price, the price is going to be the price. But at the end of the day, it's how you know your policy structured, how it's set up, and also, due to that, due to the cost of traditional long term care insurance, you know, increasing other policies, like what we had mentioned earlier, hybrid policies, have become, you know, a little bit more of a popular option for folks to look at and consider. A lot of those paid upfront type ones that I discussed with my clients earlier. You know, with the story, have become very popular for that very reason. You know the cost you're going into it, you know the benefit you're getting out of it, should something happen. You know, both on the life and long term care side, these are all knowns going into it, which can ease a lot of the uncertainties. You know, that way it had spoken about even earlier, about the pricing and that sort of thing, or the even, you know, usage of it, yeah.

Wade Pfau 37:59
And that's ultimately, like with those hybrid policies, if you're just going to have your reserves in cash, sometimes the hybrid policies if you end up not needing long term care, so you're going to tap into the death benefit. Ultimately, it's going to imply a cash like return over time. But if you

do need long term care, then you get the leverage on those dollars, and that's where you might see fit with the planning process, especially for someone who's not as comfortable investing those reserve assets for growth because they don't know when they might need them.

Jason Rizkallah 38:30
And sometimes even the hybrid policies offer like a return or premium, you know type of things on them as well. You know that you don't want to go into it with that, right, because you're going into it for the benefit. But at the same time, there's access if you do need it, you know, for some for some strange event. So, yeah, I mean, there's a lot more. There's a lot of flexibilities that are being built around products now, and have been for some time. They don't really get the headlines, right? The headlines is the long term care market is, is it's terrible. No, not worse, yeah, leave it you know, like, like, like, annuities. Annuities got a bad rep for a while, right? I mean, they work great for the right situation, right? They're, they're a really good fit for the right client in the right situation. It's the same thing with long term care policies. I

Alex Murguia 39:17
think it's great. All right, I'll ask you one more thing, we'd have something, you know, feel free, man. But what? What bubbles up that we haven't asked today that you think merits discussing? You know, since you know, we're not going to invite you back for another long term care discussion. So

Jason Rizkallah 39:38
not invited back for another long term

Alex Murguia 39:40
care discussion. We'll bring you back, obviously. But you know, I mean, we got one, one whack at the cat here with you. So what, what sort of thing did you wish we asked that we didn't, or what could we have asked that we didn't that? You think, hey, this, this would be interesting for your readers, for your listeners, to hear. Um, well,

Jason Rizkallah 39:56
we had started to touch on it a little bit, right? I'm not, I'm not going to. Go into crazy detail with it, but there are policies of spouses that you guys can get together, right, and that one of you ultimately hits the benefit or there's a benefit base for both of you, right? That can be shared, yeah, shared benefit base, which is great, right? Because, again, the high probability two people going you know, the probability of both people going in is pretty high, but certainly at least one one is very high, right? So it's just who, who it happens to be, instead of having separate policies, paying separate premiums, things like you can have, you know, perhaps something that's jointly held,

Alex Murguia 40:36
even for paperwork, it's easier, I would imagine, oh yeah, for sure, for sure.

Jason Rizkallah 40:40
So that's something that you know, can help with couples, you know, get coverage in a way that maybe seem more practical, you know, than the traditional route of each having their own for that. But I think that I would say that and we and again, this is something that was spoken about a little bit earlier. But just to reiterate it that oftentimes Long Term Care is seen as something

that is going to happen much later in life than today, right? So 30 years from now, 25 years from now, just again, speaking statistically, if you will, you know, like using statistics that much and things, but with with this, you know most people are going to encounter these events later on in life. You life. With that said, it is something you need to think about today. You know, for that time, and that, I think, can sometimes lose sight of what's what do we want to do in retirement today, or what do we want to do or with our lives today, versus what could potentially, or most likely will happen later on. You know, that's tomorrow's problem, not today's problem. And with, with long term care, the planning should start today, you know, with that for the long term? Yeah, I think that's something to just make sure that that folks keep in mind when they're if they're doing their own planning, you know that that's taken into consideration and put it in Yeah, the probability

Wade Pfau 42:00
of needing care increases with age, but it's still non zero at younger ages. You accidents happen. Health related things can happen at any age, so it's something you don't want to keep deferring. Plus, as we talked about, at some point, you may no longer be able to pass through the underwriting.

Jason Rizkallah 42:20
That's that's another one, yeah, is that at some point you might be uninsurable, you know, from that, from a long term care perspective,

Alex Murguia 42:30
all right, that's a sobering way to end this episode. Thank you very much for the good times. Jason,

Jason Rizkallah 42:37
good news is there's still options out there. Okay, the market is not dried up. It's there. I

Alex Murguia 42:42
want to go have a drink. Everybody they drinking it. It's 2:51pm technically, Wade any any parting, any parting thoughts, before you take us home. No,

Wade Pfau 43:05
I don't have anything else, but yeah. Thank you so much for joining us today. Jason, it was great getting some of those practical insights with a practicing financial advisor from McLean asset management who who can bring us the not just the theory, but the actual what goes on in the real world. So thank you so much for joining us.

Jason Rizkallah 43:23
Thank you guys for having me. I really, I really enjoy being on these with you guys, and always enjoy talking back and forth and happy to share anything I can you know that can help folks out. Great.

Wade Pfau 43:33
Yeah, and I have to bring you back on a less depressing topic.

Alex Murguia 43:40

Alrighty, alright. Everyone, thank you.

Bob French 43:43
Thanks, everyone. Bye, bye. Wade and Alex are both principals of McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only, and are not intended to provide specific advice or recommendations for any individual or on any specific securities to determine which investments may be appropriate for you, consult your financial advisor. All investing comes with risk, including Risk of Loss past performance does not guarantee future results you