Baby Boomer Insurance Concerns

BOOMERS IN THE SANDWICH GENERATION FACE COMPLEX INSURANCE DECISIONS
The Kentucky Department of Insurance encourages baby boomers to plan ahead

Today's 76 million baby boomers lead hectic lives. Many are part of what's called the "sandwich" generation, simultaneously preparing kids to leave the nest, caring for elderly parents and planning for their own retirement. These roles can present complex insurance decisions for consumers and their families.

Understanding their options and planning ahead are key to successfully navigating the unique insurance challenges facing today's baby boomers. Whether planning for retirement, caring for elderly parents, preparing to send a child to college or maybe all three, the Department of Insurance (DOI) is here to help adults in this situation get smart about insurance, and confidently choose what suits their needs.

College-Bound Kids

Many boomers are caring for youngsters at home while providing primary financial support to one or more children over 18. Many of today's boomers find themselves simultaneously researching college campuses for their children and nursing homes for their parents, and trying to figure out how to cover both costs. There are a few insurance options that may be helpful:

- Confirm your child can remain covered by a current health insurance policy until age 26; college-bound students may have additional individual health coverage options through the school or a nearby insurer.
- If a child has completed college or is no longer financially dependent, review your life insurance policy to determine if you can decrease your life insurance coverage.
- As your child plans to leave home, it is a great time to think about your needs. If you're not sure you have the resources to cover your own care in the event of a chronic health condition or disability, long-term care insurance may be a way to reduce the potential financial burden:
  - Almost 70 percent of people 65 or older will need long-term care services at some point in their lives, and it can be expensive. Care in a nursing home can cost around $80,000 or more annually and, of those who enter a nursing home, more than half will stay longer than a year. Many incorrectly believe regular health insurance or Medicare will pay for these services, but on average, Medicare only covers about 2 percent, while private health insurance covers about 1 percent of nursing home costs.
  - Depending upon the level of your income and assets, you may be eligible for your state's Medicaid program, which will cover some long-term care expenses.
  - Your age, health status, retirement goals, income and financial assets all are key considerations in determining whether the purchase of private long-term care insurance is a smart choice. Since premiums and health issues increase with age, advisors recommend purchasing a policy before you turn 60. However, since 79 is the average age people enter a nursing home, make sure you can afford the premiums for an extended period of time.
  - Research the company and agent selling the policy, as both must be licensed in Kentucky. Kentucky participates in the Long-Term Care Partnership Program, which allows private long term care insurance coverage while maintaining Medicaid eligibility. Check with DOI for details on what is available.

Caring for Aging Parents

Thanks to advances in health care, life expectancy has increased. Many baby boomers are simultaneously raising a child and providing some form of financial assistance to their parents. Being well informed about health and life insurance choices for your parents may help ease your financial burden.

- Make sure your parent enrolls in Medicare before they turn 65, and review their total coverage to determine if there are any gaps. Medicare supplement insurance – also known as Medigap plans – are available for

additional coverage. There are 10 standardized plans ranging from letters A to N; additional coverage and costs increase as you move up the alphabet.
- If your parent needs nursing home care, determine if his/her monthly income meets Kentucky's eligibility level for Medicaid. If your parent does not qualify for Medicaid, find out if he/she has a long-term care insurance or a life policy with a rider or accelerated benefits provision that might help cover nursing home care.
- Check to see if your parent has a life insurance policy and familiarize yourself with the provisions. If so, store it in a safe place. Know the location of the policy, who is listed as beneficiary, how claims are triggered and payout instructions. If your parent doesn't have a policy, a guaranteed issue whole life insurance policy may be an inexpensive option to cover end-of-life expenses.

Planning for Retirement

Securing affordable health insurance is one of the greatest obstacles to retiring before age 65. There are many choices to consider:

- If you are covered by an employer-sponsored group health insurance policy and planning to retire soon, inquire whether your employer sponsors a retiree group plan, or if you can convert the coverage to an individual policy. Also, compare that coverage with available coverage through your spouse's employer.
- If you are in good health and can afford high out-of-pocket expenses, you may consider a high-deductible plan. This coverage requires you to pay out of pocket for basic doctor's visits and prescriptions through a tax-advantaged Health Savings Account, but still provides coverage for major medical care, such as surgery or disease treatment.
- Depending on your age and future income, purchasing an annuity may make sense as you plan for retirement, as annuities typically pay an income that is guaranteed to last as long you live. Be sure to consider the investment amount and risk tolerance before an annuity purchase.

    - Annuities are not generally recommended to reach short-term financial goals. Understand the surrender period of the policy and the fees involved to determine if it makes sense for your life stage.
    - Find out if the annuity allows you to tap into the principal before maturity and if penalties apply for early access. Before you buy, consider all purchase fees and tax implications, and make sure you understand the policy's surrender period. The surrender is how long you must wait before taking money out of an annuity without penalty.

If you have questions or want more information, contact the Kentucky Department of Insurance by visiting http://insurance.ky.gov/ or calling 800-595-6053 (in Kentucky) or 502-564-3630 (out of state). You can also visit https://content.naic.org/cipr-article/boom-or-bust-look-retirement-issues-facing-baby-boomers for more health and life insurance tips.

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