NEED TO KNOW: OLDER ADULT FINANCIAL OPTIONS

LONG-TERM AND LIFE INSURANCE

- Long term care (LTC) insurance covers day-to-day assistance with activities and daily benefits for nursing home coverage.
- LTC insurance can have high premiums, especially after you turn 65.
- You may not need LTC, but do you need a plan. Do you qualify for Medicaid? Do you have money saved up for care as you age?
- Whole life insurance policies cover both long term care and death benefits. If you don't end up needing LTC, your heirs get that money back. Premiums are generally higher, but they are locked in for good when the policies begin.
- Start looking in your early 50s and 60s for LTC and life insurance. Use an independent agent that sells policies from multiple companies rather than a single insurer.

ANNUITIES

An annuity is a financial product that pays out a fixed stream of payments to an individual, sometimes lasting for life but with penalties for early withdrawal. Annuities ARE NOT INVESTMENTS. They are contracts sold by insurance agencies. Annuities are great for some people, but beware. Often times, brokers sell annuities at random, without customizing them for your needs. Be an informed buyer.

HOW DO ANNUITIES WORK?

- Like other types of insurance, you pay a premium for the insurance agency to carry the risk.
- Premiums can be a single lump sum or a series of payments, depending on the type of annuity.
- Eventually, you stop paying premiums and the annuity now pays you - this is called the payout phase.
- Annuity lifetime income streams are based on life expectancy, with smaller payments received over longer periods. The younger you are when you start receiving payouts, the smaller the payout.
- Payments can start almost immediately or they can be delayed for years, even decades.
- Immediate annuities do not pay out right away. You make a single lump sum payment to the insurance company and it begins paying you income one annuity period after purchase, which can be 30 days to one year later. That period is based on how often you elect to receive income payments.
- Deferred annuities provide tax-advantaged saving and lifetime income.
- An exception to that are qualified longevity contracts (QLACs) which are deferred income annuities designed to help retirees turn retirement assets into a stream of lifetime income.
- Fixed annuities pay a guaranteed minimum rate of return and provide a fixed series of payments under conditions determined when you buy the annuity.
- Riders provide additional benefits at a cost and fall into two categories: living riders and death benefit riders. Living riders include income riders which have a roll-up rate that can increase income stream. Death benefit riders allow for your estate to get the rest of the money if you die before the annuity has returned all of your premium payments.
- Annuity fees vary but all have commissions. Annuities are not a DIY task, purchase one through a trusted financial advisor.
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ANNUITY, LONG-TERM CARE AND LIFE INSURANCE RESOURCES

- American Association for Long-Term Care Insurance, 818-597-3227
- Colorado Division of Insurance, 303-894-7490
- Colorado State Health Insurance Assistance Program (SHIP), 1-888-696-7213
- Securities and Exchange Commission, 202-551-4500
- AARP ElderWatch, 1-800-222-4444

STAYING SCAM SAFE

- Unethical insurance agents prey on older adults facing deteriorating health and mental states. They use fraudulent sales tactics and inappropriate investment tools.
- Fraudulent agents set up contracts for older adults that lock away money for more than a decade. The money left in the annuity remains with the agent or insurance company instead of the beneficiary. Agents then collect benefits when the client passes away.
- Another scam targets seniors who are made to feel their current investments are unsafe or won’t last through retirement, convincing them to purchase annuities with high premiums.
- Agents using fake titles and certifications pitch difficult to understand contracts that may not be suitable for the buyer's financial situation. They may also promote contract signing bonuses and today-only deals without disclosing the full maintenance and withdrawal fees.
- Annuities do not expire until you are 115 years old. If you receive a warning your annuity will expire, this is a scam.
- Pay attention to annual maintenance costs on both insurance and annuities.
- Don't put more than 35 percent of your assets into annuities.
- Buy from a trusted insurance agent. Shop around for policies.
- If someone approaches you with unsolicited information on insurance, it's likely a scam.
- If it's too good to be true, it probably is.