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NEWS

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HIGHLIGHTS / STORY IDEAS

- Advisor: Waiting on long-term care insurance could lead to potentially devastating financial consequences.
- Local financial advisor offers tips for reviewing health insurance.
- Bylined version available upon request.
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Controlling Risk Mandates Health Insurance Reviews

Don't Ignore Health Risks in Retirement Planning Warns Local Financial Advisor

SAN DIEGO, CA (June 22, 2009) — Consumers struggling to re-build retirement funds, are concerned with controlling risk. When reviewing risks associated with the market, interest rates and inflation, often overlooked can be the potentially more devastating health risks. In fact, the cost of extended nursing care could wreak serious damage on a retirement fund.

Ironically, as consumers' need for long-term care (LTC) insurance has increased, the recessionary environment has prompted insurance companies to re-assess their own risk levels, making the coverage more difficult and expensive to obtain. "While an annual health insurance review is always helpful, today's risk-adverse environment makes the evaluation imperative," says John Jenkins of Asset Preservation Strategies, suggesting weighing the trade-offs between the peace of mind a LTC policy might bring and the cost of premiums. "The review process needs to begin around age 50," says Jenkins. "Waiting until you're 70, especially as insurance companies tighten their underwriting guidelines, may be too late."

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In fact, a recent American Association for Long-Term Care Insurance (AALTCI) report indicates risk adverse consumers are purchasing LTC insurance sooner rather than later. Of the 400,000 individuals who purchased long-term care insurance protection in 2008, 84% were younger than age 65.

Why the rush? The younger the applicant, the greater the chance of preferred health discounts that can reduce the cost of long-term care insurance by 10 to 20 percent each year, amounting to hundreds of dollars a year in savings for the average couple. In 2008, according to AALTCI, of the applicants between the ages 40 to 49, 63.2% were granted a preferred health discount. However, 45% of those age 70 to 79, and 70% of those over 80 were denied any kind of coverage for individual policies.

“The ideal LTC policy should factor in age, health, family history, income from wages, pensions for each spouse, Social Security benefits, real estate and other assets, and your income needs,” says Jenkins. “In addition to traditional pay-as-you-go policies, the industry offers cash value life or annuity policies that allow you to retain the entire investment value for use in your lifetime whether you use it for LTC or not, or that will pay to your beneficiaries as a death benefit.” To further complicate choosing a policy, insurance companies seem to introduce new riders on a daily basis and contract language is often ambiguous.

Cost has been the reason for putting off purchasing LTC insurance until a decade or two before retirement. However, in this financial environment, the reasons for acquiring LTC coverage earlier in life are compelling. A recent large loss of principal in a retirement account doesn’t necessarily require taking uncomfortably higher risks to recoup losses. A less risky alternative could be adding a LTC policy to provide inflation-adjusted, guaranteed income for healthcare needs later in life. Guarantees are based on the claims paying ability of the issuing insurance company.

“Ask your financial advisor for help in designing a policy that meets your unique needs and coordinating your LTC coverage with other insurance,” recommends Jenkins. “Evaluating LTC and disability insurance can be complicated -- and emotional. The task will be easier if you view the products as risk management tools, similar to homeowners or auto insurance.” Above all, remember that, like investments, health insurance needs are individual.

About John Jenkins and Asset Preservation Strategies, Inc.

John Jenkins is president and founder of San Diego-based Asset Preservation Strategies, Inc., which provides a team of financial professionals collaborating to address all of the elements of successful wealth management. He has conducted numerous financial planning workshops during his career and has been a guest on the PBS show “The Money Makers” and its successor, “The Financial Advisors,” as well as the syndicated news magazine

show “Heartbeat of the City.” Jenkins has also authored and co-authored several financial planning books and publications. He is frequently quoted in the financial press, including Financial Planning News, The San Diego Union-Tribune, the La Jolla Light and the San Diego Business Journal. He has been named for three years in a row as a 5 Star, Best in Client Satisfaction Wealth Manager by San Diego Magazine based on surveys of more than 30,000 clients of wealth managers and data from more than 4,000 financial service professionals. Learn more at www.asset-preservation.com

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NOTE:

When you need a knowledgeable professional to speak on complicated financial topics in an easy-to-understand and engaging manner, please call John Jenkins at Asset Preservation Strategies, Inc.

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