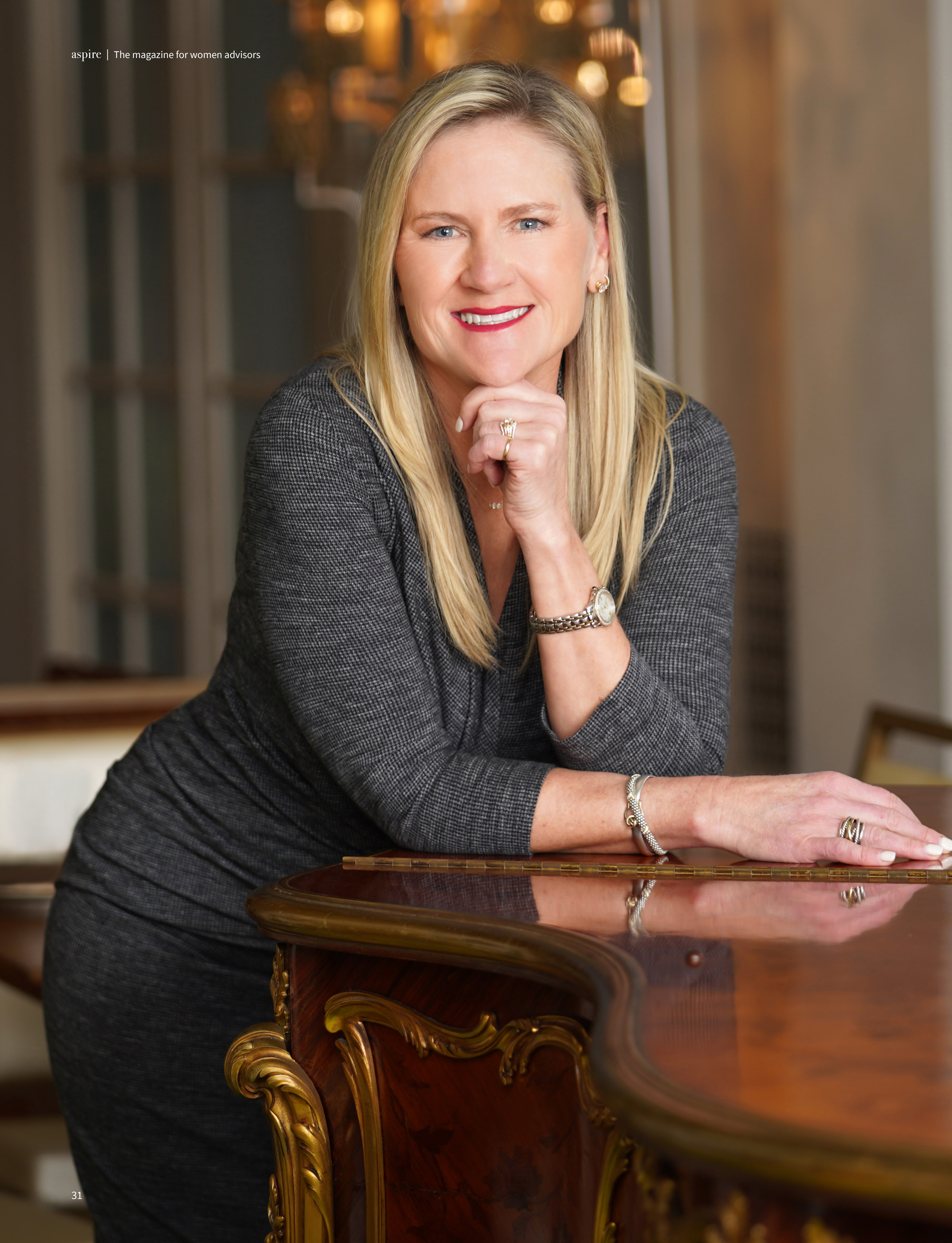


A long overdue *conversation*

When it comes to retirement planning, conversations around unknown long-term care (LTC) costs in later life are all too often overlooked or hindered by sweeping misconceptions. But, with some recalibration, today's financial advisors have a valuable opportunity to deepen their client relationships and build a connection with the next generation. **Melissa Cox**, senior vice president and head of life insurance and LTC distribution for Brighthouse Financial, shares her insights.

Launched as an independent public company in 2017, Brighthouse Financial is one of the largest providers of annuity and life insurance products in the U.S., specializing in products that are designed to help people protect what they've earned and ensure it lasts. As an energetic and visionary leader, Melissa is responsible for spearheading strategic direction, creating new business opportunities and orchestrating performance across the entire organization. The views expressed in this article do not necessarily represent the views of Brighthouse Financial.

THE FUEL BEHIND THE PASSION

Melissa's inspiring work and passion in the long-term care space stems from a number of different places.

Firstly, there's a personal dimension.

Melissa has experienced LTC firsthand three times with two of her grandparents and her father. Her grandmother used all her resources and savings in a stroke rehabilitation facility, and then later moved in with Melissa's parents when she was 76 years old. She lived to an impressive 105 years old, but Melissa's parents were financially responsible for her after rehab – at times resulting in financial and emotional strain. Melissa's father and her other grandmother shared similar experiences.

Secondly, there's a professional dimension.

Brighthouse Financial collaborates with the Dementia Action Alliance, which Melissa describes as "an amazing organization that has taught us – from their members who are living with dementia and their care partners – how stressful dementia, as an LTC event, is for an entire family." The work that others in the industry are doing inspires collaboration and fosters progress.

And thirdly, there's a big-picture dimension.

LTC is almost always a stressful, full-time job for those who provide it. It's impossible to quantify the emotional, physical and financial costs care partners pay. Melissa notes that according to recent AARP research, "around 60% of care partners don't have time to exercise, have trouble sleeping and their overall physical health suffers as a result. On top of that, many experience depression and their family relationships are negatively impacted." And that's just some of the costs, without accounting for any economic elements. "Being an unpaid care partner can also take a financial toll. The average out-of-pocket expense for a care partner is $7,300 a year," Melissa said. In short, it's a lot to handle.

> "For advisors, there's no better value-add out there than having the tools and resources on hand to have key long-term care conversations as early as possible."

WHERE THERE'S A SHORTFALL, THERE'S OPPORTUNITY

Melissa feels that today's financial professionals perform well when planning around income and different life stages. In other words, planning for higher spending in the first 10 years of retirement, then progressively less as the retiree's life continues.

This cost breakdown typically resonates with clients and their life experiences, often making them feel better about spending more and enjoying their early retirement years compared to the slower and less energized later years.

"Care partner" vs. "Caregiver"

When you're receiving care, the situation can feel like a burden, or even transactional, with the person providing care. However, when the situation is reframed as a "partnership," there's a greater sense of empowerment for people to own the parts of care they're still capable of controlling. A small-scale reconsideration but an impactful one.

However, it's "the unknown" that Melissa seeks to put particular focus on. Opportunity exists for financial advisors to discuss those unknown factors, most commonly unplanned and unexpected LTC and healthcare costs, more when planning with their clients.

"Too often, the true financial costs of care aren't fully appreciated. More awareness is definitely needed." As one example, Melissa explains, "Today, the annual cost of care in Tennessee is around $92,000, according to data from What Care Costs. And Tennessee has a medium inflation rate of 2.8%, so if you're 55 years old today, by the time you're 80 years old and may need care, it's going to cost $180,000 a year. For just three years of care, that's a cost of almost $600,000. If a couple requires care, that's a cost of about $1.2 million in unknown, unplanned-for expenses."

Assuming a reduction in spending in later life can cover unknown expenses may result in a drastic underestimation of LTC costs, especially when coupled with inflation over time.

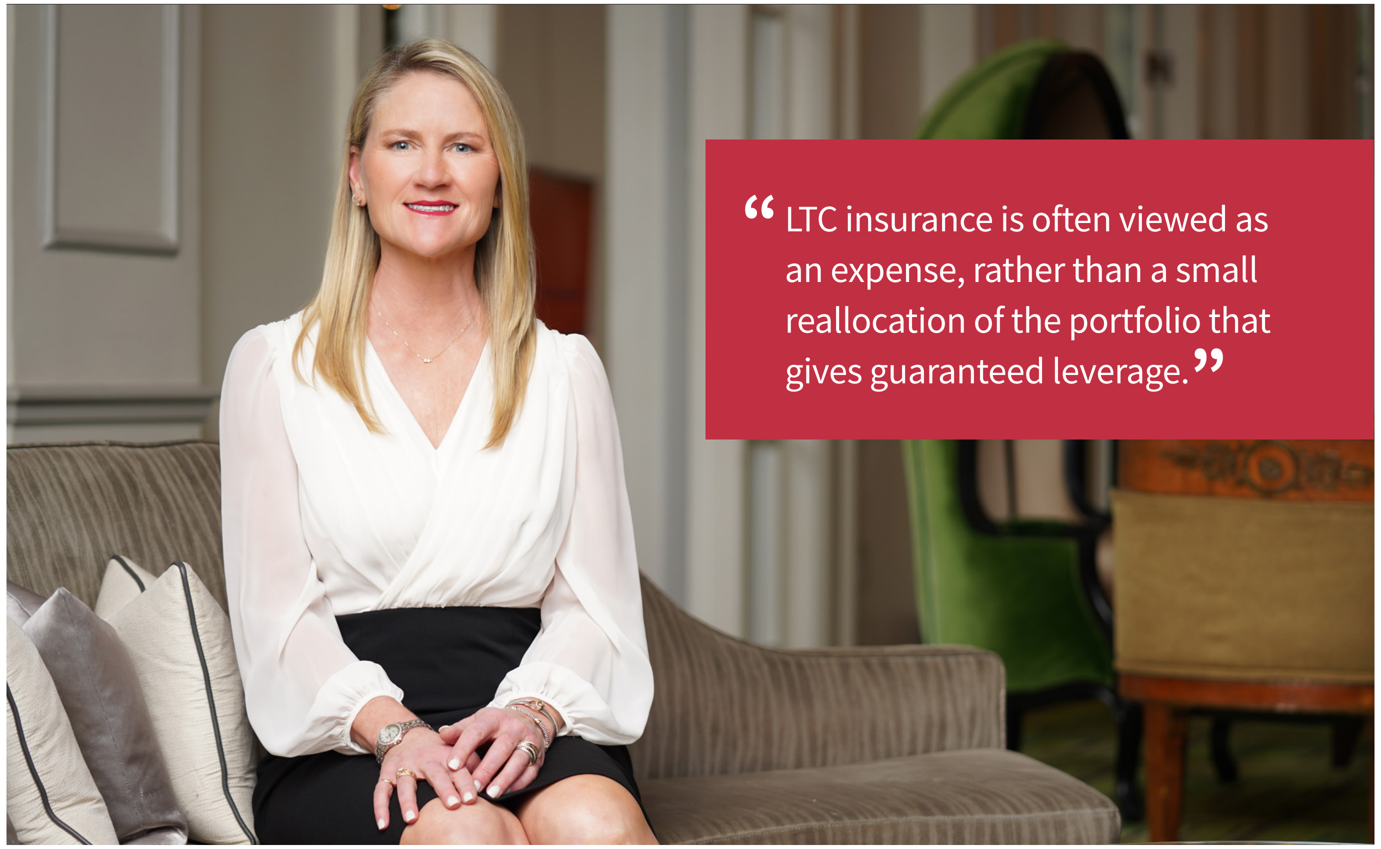
If a financial advisor makes that assumption and doesn't have a deep conversation about LTC planning with their client, they're missing an opportunity to help them get the most out of their finances and deepen that relationship.

THE SOONER, THE BETTER

Financial advisors have the power to help their clients maneuver the LTC experience and make it a positive one – simply by having the conversation, proactively including the four phases of retirement in their planning, providing the tools and then aligning LTC planning with wishes.

The risk of the financial industry shying away from having conversations about LTC planning is that the challenges and myths surrounding it will persist. Client conversations that fully encompass financial planning, insurance planning, protection planning and how a client wants to be cared for and by whom are always better had sooner than later.

Make LTC a constructive financial conversation today.



> "LTC insurance is often viewed as an expense, rather than a small reallocation of the portfolio that gives guaranteed leverage."

MYTH-BUSTING

Throughout her career, Melissa has experienced many facets of the LTC and life insurance industries. As a direct result, she's come across a handful of misconceptions and fallacies along the way.

The first myth

LTC insurance is a "use it or lose it" expense. In other words, if the client pays all that premium and doesn't require care, they've lost that money. But, hybrid LTC insurance doesn't work that way, and Melissa is keen to offer some clarity. A client pays their premiums, but if they never need the LTC benefit, the leverage is left to the next generation as a tax-free death benefit. That money – and leverage – can be put to use by a family member down the line. In that sense, it's a gift, and a connection, to the next generation.

The second myth

Benefit types have little differences. Melissa recommends that if a financial advisor is going to use LTC insurance with their clients, they should make sure it's an indemnity benefit. With reimbursement benefits, the advisor and their client could be leaving benefit dollars on the table with the carrier.

Cash indemnity options are less cumbersome for the client and help ensure they get the most out of both their money and benefits. Melissa's thoughts are that the more advisors know about the intricacies of indemnity and reimbursement benefits, the more comfortable they'll become when talking about LTC and retirement planning with their clients.

The third myth

There's no consequence to waiting. On the contrary, the cost of waiting is two-fold. One ramification is that a client might not be insurable once they reach a certain age, or they may experience a health event that renders them ineligible for LTC insurance. Another is insurance costs increase with age. Having conversations about LTC well before the need arises would be a game changer for advisors, clients and their loved ones.