



# INSIGHTS

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## A Balancing Act for Retirement

My boss has put together a retirement benefits package for our firm. It's available to employees who have been with the company for 15 years or more. I'm sure he struggled with the 'right thing to do', and the 'right price to pay' arguments. It's a dilemma. Canadians are approaching retirement in greater numbers. How then, does an employer balance its desire to provide retirees with benefits and its need to control escalating costs? Employer-sponsored healthcare plan costs have been increasing rapidly as a result of several factors: governments continue to shift costs by delisting services, which then fall to employer's plans; and a greater number of Canadians are accessing the healthcare system more frequently (particularly prescription medications and for more specialized and expensive treatments). The costs have shocked many employers into rethinking the affordability of their current post-retirement benefit plans, giving rise to the need to put some financial structure along with plan design definition in place.

Here's some friendly advice: start planning now. Start by assessing and documenting the benefits you have in place currently for retirees. To understand projected future costs, run cost projections under several scenarios. Design and implement a plan that supports your corporate objectives within the framework of these financial projections. The new plan must support your Human Resources and compensation philosophy, address the needs of retirees, and fit with your pension and benefits program for active employees.

Some employers are starting to shift from the traditional approach of being first-payor for retiree benefits to a shared responsibility model, where some cost sharing of benefits may be acceptable. Cost sharing can take the form of premium sharing, larger plan deductibles,

and co-insurance features, whereby, for example, retirees pay for an established percentage of drug costs.

Healthcare Spending Accounts will become

much more prevalent for providing retirement benefits in the future. Dollars are allocated to a healthcare spending account, which the retiree can then use to cover the cost of traditional benefits in excess of the employer's plan, or to purchase other services. As well, many employers are considering providing access to retiree benefit programs as an alternative to paying for them. In this instance, the employer is a facilitator. For example, retirees would select and pay for their life insurance, but would not need to provide evidence of insurability if they were covered by an employer sponsored plan before retirement.

Employers must decide which aspects of healthcare they want to be responsible for, which coverages they want to facilitate, and which benefits are no longer financially sustainable. It is important to start communicating upcoming plan changes to employees and retirees early. Also, be clear that they will be expected to take responsibility for their future healthcare choices and to share in the costs of the program.

Employees need to consider the impact of their post-retirement benefits as a result of retiring early, living longer, and employers reducing their contribution to retiree healthcare costs. This means individuals need to take their own expected future healthcare costs into consideration when planning for retirement.



## Long Term Health Insurance Options for Seniors

Mark Halpern has bought a gift for his mother-in-law. He's paying \$4,000 a year in pre-p premiums for her long-term care policy.

"If she had a disability, we'd be on the hook," he says.

His mother-in-law is 63 and healthy. But there may come a day when she can't live on her own without assistance.

It can cost \$2,000 to \$5,000 a month to support an infirm elderly relative at home or in a long-term care facility. So, why not plan ahead for those future expenses?

Long-term care insurance protects your assets so there's something left for your family, says Halpern, a certified financial planner and insurance specialist (illness protection.com).

Seniors over 65 are the fastest-growing population group in the country and they're living longer, say Michael Decter and Francesca Grosso in *Navigating Canada's Health Care: A User Guide to Getting the Care you Need* (Penguin, \$26).

"These two things mean that affordable government-funded home care may be limited in scope. It also means that wait times are often very long to get into good government-funded nursing home facilities."

If a loved one had to wait a year to get into a nursing home - a typical wait time - could you cover the cost of nursing care from your own resources?

Long-term care plans can be purchased after the age of 30. The best time to buy it is when you're still in good health.

You qualify for benefits when you can no longer perform at least two of six daily living activities - eating, bathing, dressing, transferring, going to the toilet and continence.

All policies sold in Canada also cover cognitive impairment from dementia and Alzheimer's disease.

You can apply for a benefit ranging from \$300 to \$9,000 a month, depending on how much you want to pay in premiums.

There's also a waiting period before you receive your benefits. The shorter the waiting period, the more expensive the policy.

You should check how your insurance company defines this waiting period, say Decter and Grosso.

"Sometimes it will be calculated in calendar days from the time you are diagnosed. Other

times, they will include only the number of days in which you actually get into a long-term care facility or have received the services of home care."

Just a handful of insurance companies offer long-term policies. The product is still new to Canada and very few people have made claims yet.

Insurers don't guarantee prices for more than five years. They reserve the right to increase the cost if they find it isn't feasible to continue offering policies at the previous rates.

Most policies guarantee the price for five years and promise not to raise it afterward by more than a specified percentage.

Premium increases are based on your age at the time the policy is issued, not on your health or ability to function independently at the time of the premium change.

Carriers know that it is a competitive marketplace, and a developing market. As such, it's in everyone's best interest to keep rates stable and competitive.

### WORTH THINKING ABOUT

Here are some factors to consider when buying long-term care insurance:

1. What type of policy is it? A reimbursement policy, which is less expensive, simply covers some or all of your out-of-pocket expenses up to a designated limit. An income policy, which is more costly, pays benefits whether services are received or not. How you spend the income is up to you.

2. What is the benefit amount for home care? Some policies offer less for home care than for care in a long-term facility.

3. How much? Find out what nursing homes, assisted living facilities and home health care agencies in your area actually charge for their services before choosing a benefit amount.

4. When do you qualify for benefits? How many activities of daily living must be outside your range? Does the policy spell out clearly what it means to be unable to feed yourself or dress yourself?

5. When do benefits start? The number of days you wait depends on the period you choose when you buy your policy. Sometimes, eligibility is expressed as the number of days you require service. If you

have a 90-day waiting period and you need service only three days a week, you may have to wait as much as seven months before benefits start, says a report by the Council on Aging of Ottawa. Policies with the elimination period expressed in calendar days could result in earlier benefits.

6. Does the policy have inflation protection? This usually increases the premium, but unless the benefit rises over time, you may find it doesn't keep up with the rising cost of care. The younger you are when you buy a policy, the more important it is to add inflation protection.

Source: *Toronto Star* - June 2007

## Top 10 Tips to a Better Brain



Scientists say that mental decline as we age appears to be largely due to altered connections among brain cells. The synapses, or the electrical currents connecting different areas of the brain, get weaker.

Now studies have shown that this gradual deterioration can be reversed. Research has found that keeping the brain active seems to increase its vitality and may build its reserves of brain cells and connections. Even new brain cells can be generated.

Here are the 10 best bets to keep your mind sharp:

1. **Stay curious, involved, proactive**
2. **Read for enjoyment and information**
3. **Write down your thoughts and feelings - or a complete memoir**
4. **Do crossword puzzles**
5. **Attend lectures, take courses, see plays**
6. **Listen to classical music**
7. **Increase your learning-and-memory neurotransmitter, acetylcholine, with natural health products and foods containing lethicin, such as egg yolks and soybeans**
8. **Do memory exercises**
9. **Teach someone something**
10. **Do aerobic exercises like power walking**

Source: *News Canada* (J.C. Carroll)