



## How Would Sandy Dee Vote?

Don't want to pay your bills? Well, if you're Greek it is just as easy as voting no to all those pesky debts. In the spirit of Greece's recent rejection of austerity, I plan on cooking falafel tonight. The recipe seems like a lot of work, so I intend on voting no on the cleanup afterwards and seeing how that works out for me.

In case I'm being too subtle, I find the idea of allowing a population a referendum on whether or not to pay outstanding debt to be fairly outlandish. With the average citizen having minimal, if any, knowledge of international finance and economics, of course they'd vote no. Chances are the cast of Grease could do a better job managing the finances of Greece at this point than their citizenship. John Travolta has a jumbo jet after all, so he must be doing pretty well.



Unfortunately, my job as an investment manager has become far more politically focused. It is my expectations that investment returns world-wide will continue to be heavily predicated on government economic intervention (or lack of) for at least the rest of this decade. For example, just look at the most recent efforts by the Chinese government to stem a 30%+ slide through banning sales by certain investors for six months.

As we've talked about this for years, it should be no surprise to our clients that the world is currently swimming in debt. This hasn't been a completely bad thing, however. Most experts give this debt the credit for the above average investment returns realized by equity investors since the "Great Recession" of 2009. Just like going out on a rabid credit card spending spree, life can seem pretty great in the short term. Alas, we are now starting to see the less exciting side of debt when that bill eventually hits the mail box.

The debt story and recession in Greece will not be unique. Closer to home, our friends in Puerto Rico recently said their \$72 billion in debt is "Not Payable". This wasn't just anyone who claimed this, it was their Governor, and guess what — he is right. While Puerto Rico isn't making much noise right now, I fully expect a potential bailout for them to be a political football come the 2016 election.

While it is simply my personal opinion, it seems that capitalism and democracy are at a critical intersection in human history. The two have coexisted in harmony for centuries, but the global expansion of welfare programs cause a critical dilemma. Those who receive more from the system than they give will almost always vote themselves more unearned capital if given the chance. It is simple human nature. When this group, "on the take," gains critical mass, there is essentially no way to oppose them in a simple majority democratic society.

So, how does this story end? There is an impossibly large array of potential outcomes. There are many doomsayers calling for the end of the world and a return to the gold standard; however, I'm much more optimistic, and while I know the road ahead will be bumpy I expect the show to go on. The entire world has moved toward fiat (paper) currency since 1933, and it seems more likely for the next move to be forward toward a digital currency instead of going backwards.

And for the uneasy alliance between capitalism and democracy? Personally, I find the landscape taking shape in the 2016 presidential election to be quite fascinating. While they both currently remain underdogs, two of the candidates making the most noise are Donald Trump and Bernie Sanders. I think a potential election between the two to be a climactic thing for the United States. Trump, the poster boy for unabated capitalism versus Sanders, the self described champion of socialism. If ever there was a chance for our country to choose our path forward, an election of this magnitude would be it.

-Ryan Glover, CFP®

### 2015 Market Update

**S&P 500** +1.23%

**DOW** -0.05%

**RUSS 2000** +4.09%

**MSCI World** +4.03%

**BONDS** -0.10%

**GOLD** -2.55%

### Mortgage Rates

**15-Year** 3.15%

**30-Year** 4.10%

**5/1 ARM** 3.18%

### Did You Know?

\*51% of US adults surveyed this March said that they had put off life goals such as having children, buying a home, and marriage. This number is up from 31% in 2007.

\*On July 11, 1804, Aaron Burr and Alexander Hamilton dueled, resulting in Hamilton's death. Hamilton currently resides on the \$10 bill in your wallet, which will reportedly have a woman added in an upcoming redesign.

# Explaining Long-Term Care Insurance

The topic of long-term care insurance is probably not in your everyday dinner table conversation. In fact, it's probably one of the most overlooked issues in retirement planning. Most people find it difficult to envision themselves needing such a high degree of daily care, but according to experts, more than two-thirds of individuals 65 and older will require some kind of long-term care. Statistically that is significant, and thinking about the future cost of such care, and what types of coverage are available, can go a long way to easing concerns and meeting those needs.

Let's start with the basics: long-term care is unlike general hospital or medical care services because it is not designed to cure your condition. Long-term care includes both medical and non-medical care for those that have a chronic illness or disability and assists individuals with activities of daily living (ADLs). ADLs are typically broken into six activities: eating, walking, dressing, bathing, toileting, and continence. Obviously there are varying degrees of incapacity with regard to these ADLs and some may require aid from an assisted living facility, nursing home, or even home health care.

The cost of these services also vary depending on your needs as well as many other factors such as your state of residence. According to the *Genworth 2015 Cost of Care Survey* (see the table below), the median annual rate in the USA ranges from \$44,616 to \$91,250 depending on the degree of care you require. So, how are you planning on paying for this? Perhaps you were thinking that Medicare covers it — you would be wrong! There are only three choices: out-of-pocket, Medicaid, or insurance. If you have very little income or savings then you may qualify for Medicaid, but otherwise you have a decision as to whether you want to insure against that risk.

From various industry studies, it seems that those most at risk of a significant asset depletion, and that would fall into the sweet spot for long-term care insurance have assets between \$500,000 and \$5,000,000. Anything over those amounts are probably better of self-insuring from a cost perspective, and anyone below, would probably be caught in the Medicaid net after your assets are spent down. If you are in that range or project to be after the age of 65, then you need to consider a number of factors. Some key points to sway your decision include whether you have a family history of Alzheimer's, which can lead to a prolonged stay in a facility, whether you will have family that lives nearby, or whether you have a spouse that may survive you and need care later.

After you've considered whether there is a potential need for coverage, the next step is figuring out what types of coverage are available and what the cost of a policy might be. Like most insurance products, the cost is primarily determined by your medical history, and a key component is your age at the time of purchase. A policy purchased at age 65 can be well over 50% more than an identical product bought at 55. Also, sorry women, but you pay more because you tend to live longer and use more benefits. The sweet spot for shopping policies appears to be the late 50's, and most companies won't even offer coverage past age 75.

When you're shopping for policies, there are various combinations of four key elements: maximum monetary benefit, life of a policy, elimination period, and inflation adjustment. The maximum monetary benefit is usually stated as a day rate, and typically ranges from \$100 to \$500 with \$300 being the most common. "Lifetime" policies are typically no longer available, with the most common policies sold today ranging from 1 to 5 years; incidentally, the average length of a claim is 3.9 years. The elimination period serves much like a deductible in that you will decide how many days to cover your expenses out-of-pocket before the policy kicks in. This ranges from 0 to 365 days with the most common being 90 days. Lastly, inflation adjustments must be considered. The cost of long-term care has been increasing at more than 5% a year recently, so it paramount to consider indexing your benefit to account for this. Most policies allow 0 to 5% ranges with 3% being the most common.

Unfortunately, there are only a handful of major companies that offer policies because many have dropped out of the business due to severely underpricing their products relative to the claims they have paid. These policies must still be honored, but insurance companies can also raise premiums if State regulators grant their request for rate increases, and they have done so, with increases ranging from 20.5% in New Jersey to 75% in Texas in 2014. In the current environment, an individual can expect a normal policy to cost between \$2,000-\$3,000 yearly. A shared policy for couples will typically cost about 15% more than a single policy.

**-Walter Hinson, CFP®**

	RATE RANGE			MEDIAN ANNUAL RATE <sup>1</sup>	FIVE-YEAR ANNUAL GROWTH <sup>2</sup>	
	MINIMUM	MEDIAN	MAXIMUM			
HOME	Homemaker Services	\$8	\$20	\$40	\$44,616	2%
	Hourly Rates					
COMMUNITY	Home Health Aide Services	\$8	\$20	\$40	\$45,760	1%
	Hourly Rates					
FACILITY	Adult Day Health Care	\$10	\$69	\$242	\$17,904	3%
	Daily Rates					
FACILITY	Assisted Living Facility (One Bedroom - Single Occupancy)	\$600	\$3,600	\$11,250	\$43,200	2%
	Monthly Rates					
FACILITY	Nursing Home (Semi-Private Room)	\$90	\$220	\$1,255	\$80,300	4%
	Daily Rates					
FACILITY	Nursing Home (Private Room)	\$101	\$250	\$1,255	\$91,250	4%
	Daily Rates					

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