Summary: “The Conversation”

Outline

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Introduction

“I want to talk to you about long-term care.” What often happens when you start a conversation with this phrase? For many clients, it evokes an image of nursing homes, old people or product. Consider instead the term extended care or care over an extended period of years. Doing so likely will have the client asking, “What do you mean?” which allows you to educate him or her about a subject that has an impact on those they love, rather than having to defend yourself.

Part 1—Two sets of serious, if not irreversible, consequences of an extended care event

The need for extended care is caused by impairments. There are two: *physical* and *cognitive*.

- A *physical impairment* is created by chronic medical conditions, defined as an illness that can be managed with therapy or medication but cannot be cured by either. As these illnesses progress, they severely compromise the client.
- A *cognitive impairment* is defined as a measurable decline in one’s intellect to the extent that the individual is also compromised.

Compromise is a powerful word when used in the context of educating those with no prior experience, particularly men. If someone is severely compromised he or she is no longer safe. This causes the first of two sets of unintended consequences.

The First Consequence: The emotional and physical wellbeing of loved ones is impacted

Impairments eventually become all-consuming, which creates a safety issue. The result is that those he or she loves have no choice but to step in to provide what amounts to 24-hour care. In turn this has a deep impact on their lives.

The following are *Power Thoughts* that can be used to convey the seriousness of the issue:

- Providing care to a chronically ill person often makes healthy caregivers chronically ill.
- If there are children, at least one will likely have to put aside his or her life to assist, particularly if the caregiver spouse starts to buckle. That, of course, is assuming there is a spouse. If not, the child will have no choice. Since children rarely provide care equally, it causes hard feelings between those who do and those who don’t. The end result is that extended care does not bring families together—it tears them apart.

Put simply, if your client ever needs care over a period of years, his life is not going to end. Someone else's life, figuratively, is going to end, thereby likely causing irreversible consequences.

The Second Consequence: Paying for care disrupts plans to keep future commitments and undermines your business model

Paying for care causes a reallocation of resources starting with income. The considerable problem is that successful people generally live on all or close to all of their income in retirement as they did during working years. Shifting income to pay for care has a direct impact on the client's ability to keep financial commitments, which may include:

- Helping a child who has not made the best decisions in life
- Providing for a child with special needs
- Continuing obligations to a former spouse
- Helping pay for a grandchild's education
- Lifestyle expenses, including a vacation home, boat or club memberships

Although in theory, many of these expenses may be considered discretionary, in the world of the successful, they are often the opposite: nondiscretionary.

Asking income to both pay for care and cover nondiscretionary expenses is, for practical purposes, double-counting it. If the illness lasts longs enough, it invariably leads to an invasion of capital. The purpose of capital in portfolios is to provide income. Therefore, using capital to pay for care subjects it to:

- Unnecessary taxes
- Market timing
- Liquidity issues

And just as important, every dollar used to pay for care is one dollar less to:

- Generate income to keep future commitments
- Pass on to the family
- Keep a commitment to a charity or charities

In short, paying for care disrupts plans to:

- Minimize or avoid taxes (free step-up is loss if capital assets are used to pay for care)
- Avoid actualizing losses in a down market
- Prevent the liquidation of capital assets
- Maximize inheritances
- Keep commitments to a charity or charities

Part 2—From an argument created by trying to sell a product to an agreement to take action: Redefining the terms of the conversation

Understanding the psychology of denial

Simply put, men and women are generally "wired" differently when it comes to assessing risk. Evolutionary psychology is the study of how the brain developed to allow our ancestors to adapt and ultimately survive a hostile environment. It presents insight on the issue of how a person's gender dictates risk assessment. It can be applied to help understand why men find it so difficult to purchase insurance in general and long-term care protection specifically.

Our brains adapted us to this environment by, among other means, creating gender differentiation: Men's brains generally developed characteristics that favored hunting and protecting those they hunt for. Both endeavors, by definition, present great risk of serious injury or death.

Women's brains developed different traits. They generally developed characteristics that favor nurturing, raising and protecting children.

Men are generally hardwired to perform two tasks: find food and protect those they bring it home for. Their brains are constructed to allow them to do so by minimizing or eliminating the risk. They therefore dismiss the need for extended care because it would undermine their basic directives. *The result is that men generally separate risk from consequences*. If there is no risk of these events happening … there are no consequences. No consequences = no need for an insurance product.

Women generally view the issue of risk very differently. Although they also believe, as with men, that they will not need care (or, as with men, that they will die or become seriously disabled during working years), they are predisposed to take a more *nuanced approach* when asked. They are directly involved in the raising and nurturing of children and as such, instinctively understand the emotional, physical and financial consequences of doing so.

The result is that they generally view an unexpected need for care through an internal prism: they take the event and *refract* it into a series of *consequences:*

- They understand the emotional, physical and financial consequences on their spouses and children if care was needed.
- They also understand these consequences to themselves and their children, if their spouses needed care.
- If single with no children they understand the physical, emotional if not the financial consequences to their siblings, nephews, nieces or close circle of friends if care was needed.

The result? Whereas men separate a risk from the consequence of that risk, women see it as a singularity: a risk is a consequence. Another way of expressing the differences towards the issue of risk:

- Men believe there are no *ifs*, *ands* or *buts* of needing care. Since there is no risk, there can be no consequences to those they love.
- Women, when asked if they believe they will need care, will often hesitate and then answer that they *hope* they don't, because they see that risk in terms of consequences to others.

The reverse is often true

The response to risk is generally also true if the male is the primary provider of care and the female is the primary provider. It is reasonable to assume that he is attuned to the day-to-day consequences of raising and nurturing children. It is also reasonable that he would be a proponent of life, disability or, in this instance, long-term care protection for his spouse. The key is to determine what role each plays in the family.

Traditional conversations and the issues they create

A review of traditional principles employed to sell long-term care protection.

Risk-based: The individual is educated about the risk of needing care as he or she ages. Statistics are used to reinforce the statements.

Client-centric: The focus is on the impact needing care would have on the individual. They include:

- Loss of independence
- Being a burden to the family
- Loss of assets paying for care

Product-driven: Long-term care protection is positioned as a product that protects the individual. Owning long-term care protection allows the client to:

- Maintain independence
- Not be a burden
- Protect assets

This philosophy can be summed up as Risk-Based Selling. The ultimate goal of the exercise is to convince the client to buy a product to protect himself from a risk. Risk-Based Selling, however, is fundamentally flawed.

It is based on the incorrect presumption that clients, particularly healthy men with no prior experience, are interested in being educated about the risk of care and what it costs. They are not, which is expressed in classic objections including, "I won't live a long life," "No one in my family ever needed care," "I can self-insure" and "It's too expensive," referring to the product which they think you are trying to sell them.

Consultative Engagement: a philosophy that speaks to consequences, not risk

Consultative Engagement is based on educating clients about how a need for care…

- Would so substantially compromise his or her health …
- That they would no longer be able to execute their essential directives of providing for and protecting those they love …
- Therefore causing serious consequences to those they love.

Those consequences?

- He or she would be so compromised that those they swore to take care of would have no choice but to put their lives aside to take care of him or her, resulting in great emotional and physical stress.
- That providing care would likely compel a child to put aside his or her life. Those are the same children that he and his spouse raised to go away and set up their own lives.
- That providing care could very well cause the children never to speak to each other again.
- That paying for care would cause a reallocation of income, substantially threatening his or her ability to keep financial commitments.
- That paying for care will disrupt every plan created to secure financial viability.

Clients would most likely perceive these consequences as serious enough to take action to mitigate them.

0% risk is replaced with 100% consequences

As stated, many men struggle with the issue of risk. Approaching them in the above manner allows them to continue to believe nothing will happen i.e. the risk remains zero, but he now concludes that the zero risk is too high because if the event occurred, it would cause 100% consequences undermining his mission of protecting those he loves.

Part 3—What long-term care protection actually does

Assuming the client now understands the consequences of providing care to those he or she loves, the next step is to mitigate them by offering not a product but a plan. The plan has two goals:

1. Allow the client to remain safe at home while mitigating the emotional and physical consequences of providing care.
2. Preserve the client's ability to keep financial commitments by providing another source of income to pay for care.

What long-term care protection actually does

LTC protection should not be positioned as a product that protects the individual because no one, particularly healthy men with no prior experience, buys it to use. Long-term care protection, in whatever form, should be positioned as nothing more than a funding source. The income generated by the policy is used to "fund" the plan, which in turn is used to pay for care.

Here is how the product should be positioned: It provides a predictable stream of income in the form of a daily or monthly benefit. That income is used to fund the plan. That is, it's used to pay for care.

- Paying others to provide care fundamentally changes the dynamics of the event; those who would have no choice but to *provide* care are now in a position to *supervise* others who perform most aspects of assisting a person in getting through basics of daily living.
- If there are children, they do not have to put aside their lives to provide the care. In many ways, *it is a second gift of life.*

Having a product that pays for care therefore protects the emotional and physical wellbeing of those the client loves, thereby mitigating the first set of consequences.

By providing a stream of income to pay for care…

- There is no need to reallocate income from the portfolio, pension, and or social security.
- This allows the client to keep financial obligations because cash flow is preserved.
- Since little or no money has to be allocated to pay for care it obviates the need to use capital, which means the retirement plan executes for the purpose it was intended.

Having a policy in place therefore mitigates the second set of consequences: It protects the financial integrity of the client, therefore allowing him or her to keep financial commitments.

Ultimately, LTC protection does exactly what life and disability income insurance do; they fund a plan clients allow you to create because they no longer measure the risk of dying, which for men remains essentially zero, but rather the severe consequences to those they love if they did, and they measure it as 100%.