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How Understanding Long-Term Care Can Expand Reverse Mortgage Business

By **Chris Clow** | January 5, 2020

Encouraging financial preparedness in later life is a core discussion point for people who work in the reverse mortgage profession, and industry literature is rife with examples concerning ways in which the wealth and savings of older Americans can often be unprepared to withstand and extend through a senior's retirement. One of the realities that older people often must contend with, regardless of the status of their retirements, is long-term care (LTC).

While there are multiple routes to gaining knowledge about LTC, the Certification for Long-Term Care (CLTC) is a designation that was created in 1999 and is supported by the CLTC Board of Standards, Inc., which states that it is not affiliated with or funded by any insurance sales or marketing organization. Its aim is to help clients of financial professionals and organizations understand what their needs will be beyond just the accumulation of wealth, and what a client's potential long-term care needs can look like. While not the only route available to learn about LTC, it has the potential to be an efficient way to learn about the concept.

Making those relevant decisions well before that care is needed can be key to a comfortable retirement, and one reverse mortgage professional who recently earned the CLTC designation wants to encourage others in the industry to seek out additional information about how LTC costs can potentially be addressed through the use of a reverse mortgage, which can benefit both the operational and public relations sides of the business.

Expanding LTC knowledge

As LTC becomes an increasingly common focus within the reverse mortgage industry, education about the specifics of how it can interact with other later-life plans of seniors becomes increasingly important. The CLTC designation is specifically designed to demonstrate that a worker in the financial services industry understands the issues related to asset management as it pertains to making sure that a senior can sustainably fund the care needs that may naturally arise as they age.

“A professional with a CLTC designation has acquired the critical tools necessary to discuss the subject of longevity and its acute consequences on a client’s family – financially, physically and emotionally – years down the road,” the CLTC Board of Standards says on the organization’s website. “The best way to protect families from the potential devastation of long-term care is not to sell a product, but rather, offer advice that leads to a plan to mitigate those consequences.”

Steven Sless, Reverse Mortgage Division Manager at Primary Residential Mortgage, Inc. in Finksburg, Md. recently gained the designation and was surprised to see that, in comparison with other financial services, the CLTC education courses offer reverse mortgages as a possible source of funding for long-term care.

“I was the only reverse mortgage person in my class, but it actually worked out really well,” Sless tells RMD. “A decent amount of the course talked about reverse mortgages as a way to help fund long-term care, and pay for long-term care insurance policies. That was one big takeaway.”

Why long-term care knowledge can expand understanding of borrowers

Reverse mortgage professionals are often known to seek out as much additional information as possible when attempting to formulate the selection of a product to best meet their client’s individual needs. However, some specific information concerning how different senior-specific resources and benefit programs can interact with each other may not come up, and this is one way that a long-term care designation can help, Sless says. Still, gaining the relevant information regardless of the method used to acquire it is encouraged.

"[The class helped me to] have a better understanding of Medicaid, not just what it covers but the different qualifications," Sless says. "We talked a lot about protecting assets to qualify for Medicaid, and what I learned was that Medicare and Medicaid do help to fund long-term care, but oftentimes that long-term care is in a nursing home." Since aging in place is a common discussion point in the world of reverse mortgages, some clients may go into discussions with originators thinking that those programs will adequately cover their desire to remain at home.

"I think the misconception is that those programs cover a lot more than they actually do," Sless says. "Where in reality, if a homeowner wants to remain in the home, they need to either have some form of long-term care insurance or they need to have the ability to self-fund to then stay in the house. I think one big takeaway [in the CLTC education course] was just how limited the Medicaid and Medicare programs are when it comes to long-term care."

Other originators can encounter issues that relate to an accurate picture of what Medicare and Medicaid can cover, as well.

"Seniors that took out long-term care policies years ago, as they were planning their retirement, are now finding out that the pay-out on those policies falls well short of what's needed to sustain someone in long-term care," according to Rich Pinnell, originator with Guild Mortgage in Redding, Calif. in an interview with RMD this past summer. "[The shortfall can be] sometimes as much as several thousand dollars a month."

Understanding some of the specifics regarding the realities of long-term care can also be a big help in terms of conversations that a reverse mortgage professional can have with borrowers, Sless says.

"We always talk about protection of assets and the retirement portfolio, and a lot of what we talk about there is financial," Sless says. "This can allow us to be able to talk about the care needs for the senior and how can we help facilitate those care needs, and of course, their financial needs. [...] Overall, I think it just allows us to have a more well-rounded conversation [with clients]."

Education as a networking opportunity

One other valuable component of taking an education course dedicated to long-term care is the opportunity it presented to network with potentially new reverse mortgage referral partners, Sless says.

“It was some of the best networking that I’ve done in quite some time,” Sless says. “As we’re going around the room, everybody would have their opinion on how to fund a long-term care policy, or how to ensure that the person is going to be aging in place, if that’s their desire. They would then listen to me, and I would talk about how reverse mortgages can be structured to help accomplish those goals. So, that was just gold.”

Coming into a classroom full of potential referral partners presented an exciting prospect, largely because of its rarity, Sless says.

“Those opportunities [are rare, because] you often don’t get a captive audience of financial advisors that are receptive, and there to listen and learn.”

Knowledge as a competitive advantage

Having additional knowledge about LTC issues not only gives a broader picture to a potential client in trying to find what financial product can work for them, but can also project a level of readiness to a client that can help the person with that greater awareness stand out, Sless says. Presenting what is learned about the potential interactions that Medicare and Medicaid can have with the plan in place helps to give the client a more holistic understanding of their own situation, as well.

“I can say, ‘here’s what I now understand about Medicare and Medicaid, and here’s where the potential gaps are in your plan,’” Sless says. “Then, I can offer ideas about how can we work together to help overcome those gaps, whether it’s with a reverse mortgage or whether it’s making a good referral to another financial advisor, or to an elder law attorney, etc.”

That greater understanding that then leads to the correct path being chosen can not only strengthen referral partnerships, but it can enhance a reverse mortgage professional’s reputation among seniors in the community, Sless says. It all leads back to having better client conversations, however, which can be a competitive advantage in and of itself.

“The whole [effort] comes back to understanding better questions to ask, and that was my number one takeaway,” he says. “There’s a whole new set of circumstances that I’m aware of now, and I can ask better questions than my competition can. And if the competition is only talking about their finances, I think they’re going to miss what the true need might be. That need and that desire may be to age in place, so we need to be able to ask how we’re going to help them do that.”