

How Are You Handling Risk?

The biggest risk to our assets, for many of us as we age, is the risk of incapacity rather than death. Chronic conditions can demand extensive care giving by family and friends or formal care either in the home or in an institution. Incapacity can result in huge spending for care.

Chronic conditions are weaknesses or illnesses that have no cure but result in constant or recurring health limitations that last for years. According to the National Academy on an Aging Society (1999), the chance of having a chronic condition which limits activities, by age, is:

- Ages 45 to 64, 23%.
- Ages 65 to 74, 34%.
- Seniors ages 75 and older, 45%.

Will you be affected, and if so, are you ready?

The Biggest Risk

According to an Alliance for Aging Research study in 1999, it is not the big killers like cancer and heart attacks that rob most seniors of their independence. It is under-recognized and under-treated chronic conditions such as diabetes, arthritis, visual and mental impairment, incontinence, and physical immobility.

Factors that can't be modified (like genetic predisposition, gender, and age) make us vulnerable to developing chronic conditions. Other risk factors can be modified or treated to limit the progression of the incapacity or illness. How will you handle having a chronic condition?

Without proper planning, an extended period of incapacity will diminish, if not deplete, your assets. If you are faced with incapacity or the reduced ability to perform activities of daily living, do you have a strategy to handle the cost?

Four Ways to Handle Risk

There are basically four ways of dealing with risk: Avoidance, reduction, retention and transfer.

Risk Avoidance means not taking part in some activities that might be considered risky, for example not smoking. Smoking reduces the life of the average smoker by 12 years.

Risk Reduction is engaging in regular physical activity and practicing good nutrition. According to the Centers for Disease Control, disability can be delayed by as much as 10 years by practicing these basic health habits.

Risk Retention simply means accepting a given risk and deciding not to do anything about it. This includes thinking "it will never happen to me" or risk denial (a form of risk retention).

Risk Transfer is transferring risk by purchasing insurance to protect against potential loss due to illness, an untimely death, or incapacity. Having appropriate health, life and long-term care insurance transfers the risk.

Be realistic in looking at the long-term effect of lifestyle decisions and what effects they have on developing chronic conditions. How will you managing the cost of acquiring a condition that limits your activities? It may not be too late to put the best plan into effect.

Which of the above risk management strategies are you relying on? Will your strategy provide you with enough assets to make it to a comfortable end? Consider this my offer to help you manage your risks. Risk transfer is my specialty! Call me to get help.

God Bless you and your family,

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