

Long-Term Care Planning Solutions: Pros and Cons

Traditional/Stand-Alone Long-Term Care Insurance (LTCi)

PROS

- + Highest degree of leverage/biggest bang for the buck
- + Large number of inflation options to keep pace with future costs
- + Shared benefits available
- + Policy benefits can be tailored to meet a wide range of budgets
- + State Partnership programs
- + Possible tax incentives
- + Conducive to employer groups and executive carveouts with abbreviated underwriting

CONS

- As a form of health insurance, premiums are not guaranteed
- A significant number of insurance carriers have exited the market
- Strictest medical underwriting
- No death benefit (use it or lose it)
- No cash surrender value
- Gender-based premiums mean higher prices for females
- Most policies pay claims using the reimbursement method instead of cash indemnity

Linked-Benefit Life with LTC Riders

PROS

- + Death benefit paid if not depleted paying for care
- + Guaranteed premiums available
- + May provide cash surrender value if cancelled
- + Premiums for females may be attractive compared to stand-alone LTCi
- + Designs include reimbursement and cash indemnity benefits
- + 1035 Exchange from existing policy to new policy

CONS

- No inflation protection
- Others may be relying upon death benefit
- Shared benefits not available (although one company offers a survivorship policy covering two people)
- LTC rider is medically underwritten
- Life insurance premiums are not tax-deductible
- Not Partnership-eligible

Linked-Benefit Life with Chronic Illness Riders

PROS

- + Cash indemnity benefits allow family & friends to provide care
- + May offer overseas benefits
- + Some policies involve no additional medical underwriting for CI rider
- + Death benefit paid if not depleted for a chronic illness
- + Guaranteed premiums available
- + Premiums for females attractive compared to LTCi
- + 1035 Exchange from existing policy to new policy

CONS

- Many require condition is expected to be permanent
- Some built-in CI riders discount the death benefit: cannot receive the full death benefit for care
- Shared benefits not available
- No inflation protection
- May not be marketed as LTCi
- Others may be relying upon death benefit
- Not Partnership-eligible

Long-Term Care Planning Solutions: Pros and Cons

Hybrid Life/LTC

PROS

- + Alternative to self-funding
- + Guaranteed premiums
- + Death benefit if not used for care
- + Cash surrender value
- + Claims methods include reimbursement, indemnity, cash indemnity available
- + One carrier offers shared benefits & lifetime LTC rider
- + Inflation protection available

CONS

- Involves higher degree of self-funding
- Larger premiums required to properly fund coverage
- Some (not all) companies require single premium payments
- Not Partnership-eligible

Hybrid Annuity/LTC

PROS

- + Alternative to self-funding
- + Excellent 1035 Exchange opportunity from old annuity to new, hybrid annuity
- + Gains in annuity received as LTC benefits are tax free
- + Easier medical underwriting
- + Guaranteed premiums
- + Qualified funds may be used to fund policy

CONS

- Low interest rates stifle growth in annuity values
- Initial LTC benefits are essentially a return of client's own money – higher degree of self-funding
- If Qualified funds are used, benefits are taxable

Short-Term Care

PROS

- + Affordable premiums
- + Easier medical underwriting than most solutions
- + Available up to age 89
- + Shorter elimination periods and faster access to benefits than LTC insurance
- + Some pay benefits even if Medicare is paying
- + May purchase more than one policy from separate carriers

CONS

- Benefit periods must be shorter than 365 days
- Some do not offer inflation protection
- Not offered in all states
- Not Partnership-eligible
- 6-month pre-existing condition limitation

Fixed Indexed Annuities w/ Income Riders

PROS

- + Very little medical underwriting and no telephone interview
- + Extra income from rider available if LTC needed and can be used for any purpose
- + Qualified and non-qualified funds may be used to purchase
- + May provide a death benefit upon death of insured
- + FIA may insure joint lives

CONS

- Growth in annuity may be subject to taxation upon receipt
- Higher degree of self-funding compared to most solutions
- Some require confinement to a nursing home

LTC Solutions Quick Reference Guide

Stand-Alone LTC Insurance

- **Ideal Ages:** 30 – 69
- **Health Status:** Good or better
- **Wealth Status:** Moderate to high
- **Need to Know:** Provides highest leverage of any solution, no death benefit, premiums may increase, higher rates for females than males, strictest underwriting of any solution

Hybrid Life/LTC

- **Ideal Ages:** 40 – 69
- **Health Status:** Good or better
- **Wealth Status:** Moderate to high
- **Need to Know:** Alternative to self-funding, includes death benefit, cash values and guaranteed premiums, may cover two lives, lifetime benefit available

Linked-Benefit Life with LTC Riders

- **Ideal Ages:** 40 – 65
- **Health Status:** Good or better
- **Wealth Status:** Moderate to high
- **Need to Know:** Death benefit, premiums may be guaranteed, cash values may be available, lower rates for females, 1035 Exchanges, lack of inflation protection

Hybrid Annuity/LTC

- **Ideal Ages:** 60 - 85
- **Health Status:** Fair or better
- **Wealth Status:** Moderate to high
- **Need to Know:** Alternative to self-funding, includes death benefit, cash values and guaranteed premiums, may cover two lives, Qualified funds and 1035 Exchanges accepted

Linked-Benefit Life with Chronic Illness Riders

- **Ideal Ages:** 18 - 65
- **Health Status:** Fair or better
- **Wealth Status:** Moderately low to high
- **Need to Know:** Same as Life w/ LTC riders but many policies require a permanent illness, death benefit may be discounted, medical underwriting may be easier

Short-Term Care

- **Ideal Ages:** 18 - 89
- **Health Status:** Fair or better
- **Wealth Status:** Low or better
- **Need to Know:** Coverage for less than 365 days, most include a 6-month pre-existing condition limitation, affordable for most people, easier medical underwriting

Fixed Index Annuity with Income Riders

- **Ideal Ages:** 50 - 80
- **Health Status:** Fair or better
- **Wealth Status:** Moderate to high
- **Need to Know:** Almost no medical underwriting, income rider doubles income guarantee for 5 years if care needed