Long Term Care Options

Self-Insure the Risk

What Is it?
Client accepts to self-insure. They may feel that they will never need coverage, have assets to cover the risk, or just do not want to think about the potential situation.

Pros	Cons
• No premiums • Potentially no cost • No medical qualification	• Unlimited out-of-pocket LTC and home health exposure • Potential to spend down savings • May need to liquidate assets • Family is responsible for coordination of care

Why clients do it
Clients typically do this because they do not want to think about a long-term care stay, or they do not want to pay premiums and associate LTC with health insurance. They also do not like the idea of paying for something they may never need or use.

Traditional LTC

What is it?
LTC insurance is a contract that pays a daily or monthly benefit if two of the six activities of daily living are met. The policy will provide the benefit for a stated number of months or years.

Pros	Cons
• Maximum LTC benefit • Asset protection with state partnership programs • Spousal discount • Optional shared benefit for couples • Inflation protection • Home health care included • Premiums may be deductible • Access to care coordinator	• Annual premiums • Possible future premium rate increases • Must qualify with underwriting • Use it or lose it unless additional riders included • Claims process

Why clients do it
Clients typically do this because they want to protect their assets and shift the LTC risk. Traditional LTC is typically the lowest cost entry to long term care insurance with annual funding requirements.

Asset-Based LTC

What is it?
A life or annuity policy that provides a leveraged LTC benefit ranging typically from 2 to 7 years but can also be lifetime. Two of the six ADL's are required. These policies are commonly funded with a single premium but can be a flexible annual premium.

Pros	Cons
• Guaranteed benefits • Moderate death benefit leverage • Cash surrender value including options for return of premium • Inflation protection • Simple to understand • Trading interest for leveraged LTC benefits • Home health care included • Access to care coordinator	• Must qualify with underwriting • Not as attractive at older ages • Claims process

Why clients do it
Clients typically do this because they can move a single asset over and be guaranteed LTC coverage, with the ability to surrender and walk away with a surrender value. Clients can 1035 exchange existing cash value life insurance or annuity policies they no longer need to help with funding the policy.

Life Insurance with LTC Rider

What is it?
A traditional life insurance policy with a LTC or chronic benefits rider. The benefit is typically 2-4% of the death benefit and may be capped by HIPPA per diem. Two of the six ADL's are required.

Pros	Cons
• Highest death benefit of the options listed • 2-4% of the death benefit can be accelerated monthly for care expenses • Flexible funding from single to lifetime pay • Home health care included • Access to care coordinator	• Must qualify with underwriting • Annual premiums or short pay • Surrender values may be low compared to other options • Claims process

Why clients do it
Clients typically do this because they recognize the need and value of LTC coverage but want a larger death benefit for their heirs. Clients may use existing cash values from life policies to help fund this contract and lower or eliminate future premiums.