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Long-Term Care Insurance – Is it an Expense or an Asset?

Did you know….

Nearly $725 billion per year is spent in the United States on chronic illness care. Astonishingly over $450 billion of this care is rendered by unpaid family members. Many of these family caregivers eventually find themselves in poor physical and financial health from the stress of caring for a loved one!

Only $7 billion or less than 10% is being paid by privately owned long-term care policies for families that had the foresight to buy the necessary protection for them and their families.

All of our clients can be financially and emotionally impacted, regardless of their stage in life.

> Pre-Retirees – some may be coping with their own health issues, or their parents are in declining health and require care. Each of these issues will impact their current quality of life as well as their financial capacity in their retirement years.
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> Retirees - are watching their friends be impacted by the cost of long-term care. Knowing that 7 out of 10 individuals over 65 will be impacted by these costs; they should be considering the following questions: Who will pay for these costs? Will my surviving spouse have enough money to live their life after my passing? Who will take care of me if I cannot take care of myself?
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> Historically, the surviving spouse bears the financial and emotional burden. They are the ones left with the emotional and financial scars of caring for their loved one.

As your clients Trusted Advisor, have you advised your clients on these important issues? Are you up to date on the "new" options available to them?

Let's review some potential options for Pre-Retirees. Our next issue will focus on Retirees.

If your client is in their working and accumulating years…

Those clients who are planning for their retirement normally have a few competing needs:

1. Life insurance to protect their family.
2. Disability insurance to protect their income.
3. Accumulating retirement savings and how to save if they become disabled.
4. Long-term care, if they are aware of the various coverages available.

The good news is there are life insurance solutions with riders that help our clients accomplish these needs.

Here are examples of the relevant policy riders:

> Disability Waiver of Premium – if the insured were to become disabled, the contracted annual premium would continue to be paid by the carrier for the benefit of the policy owner. This waiver of premium feature maintains the life insurance for the life of the insured and continues the cash value accumulation just as if your client continued to make annual premium payments.

It allows for this portion of your clients retirement plan to become self-completing, in the event of a disability.

Long-Term Care Rider – This rider allows for access to the death benefit to fund long-term care expenses, normally at the rate of two percent per month of the death benefit (*not cash value*). The long-term care benefit is a dollar for dollar offset to the death benefit. Upon the passing of the insured, the death benefit is reduced by the long-term care benefits paid during life, with the remaining death benefit paid to the policies named beneficiary.

Benefit of Combined Life Insurance and Long-Term Care Strategy:

1. Policy can be funded during work years without the need to invade retirement income to fund long-term care.

2. Traditional long-term care policies have a significant risk of increasing annual premiums during retirement years. Using a life insurance based solution, in most circumstances, does not have the risk of an increasing premium. As a matter of fact, some carriers waive premium payments once a "qualifying event" takes place.

3. Traditional long-term care policies are "use it or lose it" insurance policies. I know people who have paid annual premiums for many years and suffered a heart attack and died never requiring long-term care, never accessing the benefit. While these people had comfort in knowing that they had the coverage, upon their passing, no financial benefit was derived when a death benefit could have otherwise been paid.

4. Earnings on retirement savings held within the cash value of a life insurance policy are not subjected to income taxation. If properly structured, distributing these funds at retirement are again free of income taxation. Due to the income tax benefits of investing within a life insurance policy, the income tax savings far outweighed the long-term costs of the policy, including its use as a long-term care vehicle.

   This reallocation of retirement funding allows for the long-term tax savings to be used to fund the cost of your client's life insurance and long-term care. Simultaneously, these tax savings serve to increase retirement income as compared to investing in a taxable venue at the same projected rates of return.

5. The plan becomes self-completing during your client's working years. The waiver of premium feature, if your client becomes disabled, will fund this portion of their retirement savings when they will not be able to afford it themselves. This rider continues the life insurance without cost when it may be needed the most and continues to provide a pool of long-term care funding.

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