

Life Insurance with Long Term Care Riders

As conventional LTC policies grow costlier, alternatives have emerged.

One of the top concerns of our aging population is the ever-increasing cost of health care. This includes the cost of home health care, assisted living, skilled care and memory support.

The price of long term care insurance is really going up. If you are a baby boomer and you have kept your eye on it for a few years, chances are you have noticed much costlier premiums for long term care (LTC) coverage today compared to several years ago. For example, in 2015 the American Association for Long-Term Care Insurance found that married 60-year-olds would pay \$2,170 annually to get a total of \$328,000 of coverage.¹

As CNBC notes, about three-quarters of the insurers that sold LTC policies ten years ago have stopped doing so. Demand for LTC coverage will only grow as more baby boomers retire – and in light of that, insurance providers have introduced new options for those who want LTC coverage.¹

Hybrid LTC products have emerged. Some insurers are structuring whole life insurance policies that accumulate cash so you can tap part of the death benefit while living to pay for long term care. You can use up to \$330 a day of the death benefit under such policies, with no reduction to the cash value. Other insurance products are being marketed featuring similar potential benefits.²

This option often costs a few hundred dollars more per year – not bad given that level annual premiums on a whole life policy with a half-million or million-dollar payout often come to several thousand dollars. The policyholder becomes eligible for the LTC coverage when he or she is determined to require assistance with two or more of six daily living activities (dressing, bathing, eating, etc.) or is diagnosed with Alzheimer’s disease or some other kind of cognitive deficiency.²

This way, you can get what you want from one insurance policy rather than having to pay for two. Contrast that with a situation in which you buy a discrete LTC policy but die without requiring any long term care, with the premiums on that policy paid for nothing.

The basics of securing LTC coverage applies to these policies. As with a standard LTC policy, the earlier you start paying premiums for one of these hybrid insurance products, the lower the premiums will likely be. You must pass medical underwriting to qualify for coverage. The encouraging news here is that some people who are not healthy enough to qualify for a standalone LTC insurance policy may qualify for a hybrid policy.³

These hybrid LTC products offer a variety of funding options.

If you or family members do not have this coverage – or if you do not know if what you own is “enough”, let’s talk! Please contact us for a conversation.

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Citations.

1 - cnbc.com/2015/08/07/fer-more-products-that-cover-long-term-care-costs.html [8/7/15]

2 - consumerreports.org/cro/news/2015/04/get-long-term-care-from-whole-life-insurance/index.htm [4/16/15]

3 - tinyurl.com/o3ty2j3 [5/4/14]