Leaving a Legacy for Loved Ones

Asset-Based Long-Term Care Insurance

MEET VALERIE

Valerie is a 63-year-old, non-smoking, married woman who wants to secure her financial future as she plans for retirement. Valerie's husband, John, has been diagnosed with Parkinson's Disease and does not qualify for long-term care insurance.

LTCI Premiums

Valerie opts to purchase an asset-based LTCI policy at a couple's rate with a one-time lump sum premium of $100,000. She uses a 1035 exchange from funds that have accumulated in an old annuity policy, thus eliminating any taxes that she might have incurred on the gains.

1035 Exchange from Annuity:	$75,000
Out-of-Pocket Payment:	+ $25,000
Lump Sum Premium:	**$100,000**

POLICY BENEFTS

MONTHLY BENEFIT	MAXIMUM BENEFIT	INFLATION RIDER
$5,121	$257,067 or 4 years	3% compound

DEATH BENEFIT

The face value of her policy is $122,892, which would be payable to her beneficiaries if she does not need care. If she uses all of her LTCI benefits, Valerie also has a residual death benefit that will pay $24,578 to her beneficiaries.

17 YEARS LATER

After 17 years, Valerie, who is now an 80-year-old widow, requires assistance with bathing and dressing due to osteoporosis and arthritis, so she decides to move into an assisted living facility. Since Valerie's policy had a 3% compound inflation rider, her benefits are as follows:

Monthly Benefit:	$8,463
Maximum Benefit:	$424,893 or 4 years

The average cost of an assisted living facility is now $9,705 per month, so Valerie's out-of-pocket cost is only $1,242. Because she is no longer paying to maintain her home, Valerie is able to easily supplement the costs associated with her care from her pension and social security. Valerie requires care for 40 months, resulting in $338,520 in total benefits used and $49,680 in additional out-of-pocket costs.

Monthly Benefit:	$8,463
Time in Care:	x 40 months
Total Benefits Used:	**$338,520**

Out-of-Pocket Cost:	$1,242
Time in Care:	x 40 months
Total Out-of-Pocket Costs:	**$49,680**

Since Valerie paid a lump sum premium of $100,000, part of which was paid for by an existing annuity, she saved herself and her family over $185,000 in long-term care costs.

Total Benefits Used:	$338,520
Total Premiums Paid:	- $100,000
Out-of-Pocket Costs:	- $49,680
Amount Saved:	**$188,840**

Upon her death, Valerie also leaves a residual death benefit of $24,578 to her beneficiaries.

PLANNING TIP

Asset-based LTCI may also come with a guaranteed death benefit, allowing the policyholder to pass along unused benefit dollars to their intended heir(s).

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