

Achieving Peace of Mind for the Family

Traditional Long-Term Care Insurance

MEET DANIEL AND MARTINA

Daniel and Martina are planning for their retirement, and their portfolio is currently worth over \$750,000. They have a small mortgage and one child in college. Their financial advisor has recommended they purchase LTCI to protect their assets and ensure their child is not responsible for being a full-time caregiver.

Recently, Martina's mother passed away after requiring care for two years. She had COPD, a respiratory illness that required daily oxygen usage and frequent hospitalizations. Martina's mother required assistance with her activities of daily living in addition to transportation, housekeeping, cooking, cleaning, and grocery shopping. She did not have long-term care insurance, so Martina provided the majority of her mother's care in conjunction with a trusted neighbor.



LTCI Premiums

Daniel is 56 and Martina is 55. Daniel has been on high blood pressure medication for about 5 years, but his blood pressure is stable. Martina is not on any medications. Daniel qualifies for the select/standard rate, while Martina qualifies for the preferred rate discount. Daniel's annual premium is \$1,910, and Martina's is \$2,670, bringing their total annual premium to \$4,580. If Martina didn't qualify for the preferred rate discount, their premium would have been \$5,052. That's a savings of \$472 per year.

POLICY BENEFITS



**MONTHLY
BENEFIT**

\$4,500



**MAXIMUM
BENEFIT**

\$165,000 or
3 years



**25% CASH
BENEFIT**

\$1,125/mo



**ELIMINATION
PERIOD**

90 days



INFLATION RIDER

3% compound

25 YEARS LATER

After 25 years, Daniel requires care at the age of 81 due to a fall that left him with a broken pelvis and problems with his memory. During that time, he paid \$47,750 in LTCI premiums. Since Daniel's policy had a 3% compound inflation rider, Daniel's benefits are as follows:

\$	
Monthly Benefit:	\$9,148
Maximum Benefit:	\$335,411 or 3 years
25% Cash Benefit	\$2,287/mo

At this time, the average cost of a home health aid is \$126,950 per year (about \$10,579 per month). Since Daniel's policy will pay \$9,148 per month, he and Martina only need to cover \$1,431 per month. Martina uses Daniel's LTCI benefits for a home health aide. He required care for 30 months, resulting in \$274,440 in total benefits used and \$42,930 in additional out-of-pocket costs. His family also had the option of using the cash benefit to provide care themselves.

\$	
Monthly Benefit:	\$9,148
Time in Care:	x 30 months
Total Benefits Used:	\$274,440

\$	
Out-of-Pocket Cost:	\$9,148
Time in Care:	x 30 months
Total Out-of-Pocket Cost:	\$42,930

Since Daniel paid \$47,750 in LTCI premiums, transferring the risk to the insurance company saved him and his family over \$180,000 in out-of-pocket long-term care costs.

\$	
Total Benefits Used:	\$274,440
Total Premiums Paid:	- 47,750
Total Out-of-Pocket Cost:	- \$42,930
Amount Saved:	\$183,760

Daniel's policy also qualified for state partnership protection. Therefore, in the event he exhausted his LTCI benefits and pursued Medicaid eligibility, he could retain additional assets beyond the \$2,000 allowance.

PLANNING TIP



In order for a traditional LTCI policy to qualify for state partnership protection, it must be structured with an inflation rider. Be sure to discuss this with your client when exploring LTCI policy options.

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