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Long Term Care Planning

Living with a pandemic has caused many to wonder if they still need planning for long-term care. The answer is YES, especially when you factor in longevity and the aging population. The guaranteed tax-free benefits available with LTC policies help provide confidence during these uncertain times.

The primary insurance program for people 65 and up is Medicare. However, Medicare and supplements do not provide coverage for long-term health care. The potential economic impact on American families is enormous. Even families with substantial savings could suffer severe financial consequences.

One lesson many people have learned is that you cannot predict events that will have an adverse effect on the economy. COVID-19 had nothing to do with the economy but had an adverse effect and caused an economic downturn. The same is true for a long-term care event, it cannot be predicted.

While the risk of needing long-term care is high, many people ignore the problem until it becomes a crisis. The need for long term care could be the result of an illness, an accident, or simply

a consequence of getting older.

And there are two consequences of a long-term care event: cash flow and family issues. A long-term care event could deplete savings and impact cash flow, which could impact the standard of living for the rest of the family, especially in situations where adult children become caregivers.

One way to address these risks is to purchase a long-term insurance policy. Most policies can provide tax-free benefits to pay for your choice of quality care, including home care. 45 states have approved Long-Term Care Partnership policies which provide dollar for dollar asset protection for those that would qualify for Medicaid. Another tax-advantage of a long-term care policy is the ability to use HSA's (Health Savings Accounts) to pay for the premiums.

LTC insurance is offered in three forms. The first is what is generally referred to as "traditional" or "stand alone" LTC insurance. With this approach, you pay an annual (or monthly) premium and if you have an event, the policy pays the benefits. One drawback to this type of policy is that the insured gets nothing back if they never

use the benefit, creating a “use it or lose” it situation. The other drawback is that the premiums with traditional policies are not guaranteed and subject to increases.

There have been numerous premium increases with these policies which probably explains why only about 10% of new policies sold are this type. The second form of LTC insurance policies are generally referred to as “hybrids”. Hybrids are technically a life insurance policy but designed to provide significant LTC benefits and modest life insurance benefits. These policies are generally funded with a lump sum, but most carriers now offer the option to spread the premiums out over a number of years. The advantages of these contracts are that if the LTC benefits are never used, the beneficiaries receive the tax-free death benefit. The other advantage of this Approach is that the premiums are guaranteed which is a very attractive feature for those nearing retirement. The third type of policy is a standard universal or whole life insurance policy with a rider which allows the insured to access the death benefit for LTC expenses. Which type of ap-

proach makes the most sense is dependent upon the individual situation. You should consult with an insurance professional to analyze all of your options.

Even after COVID and a fully recovered economy, LTC insurance will still provide tremendous value. Benefits from the policy are tax-free and you get to keep control of your assets, allowing you to protect your lifestyle and legacy.

And since LTC insurance is medically underwritten, you can't wait until you need care to purchase the policy. The perfect time to plan is when you are in your 40's or 50's and in good health. As with all insurance, premiums increase with age and you should work with a trusted advisor who can show you several options, strategies, and insurers. Your health can change at any time. The economy can change at any time. Protect yourself and your family from the consequences of aging and you must do this before you get old.