

Long-Term Care Update

With Higher Rates, Is Long-Term Care Insurance Still a Viable Option?

By Brad Tisdale, MS, CLTC, CES



Given the high cost of custodial care and the toll of care-giving on the family, Brad Tisdale, MS, CLTC, CES addresses recent articles on long-term care insurance by underlining its importance, and shares three ways to maximize policy value.

LTC Planning – Surveys continue to show that many people are unprepared for the cost of a chronic disability due to frailty, dementia, illness or an accident. Those caring for parents are concerned about how they will be cared for in the future and what would pay for their care. Many wonder, “Is long-term care insurance a viable option?”

Long-term care insurance has been in the news lately as the cost of a policy today is more expensive than it was just a few years ago. In 2021, insurance companies collectively paid \$12.3 Billion in claims to policyholders.¹ In order to pay future claims insurance companies are charging higher rates.

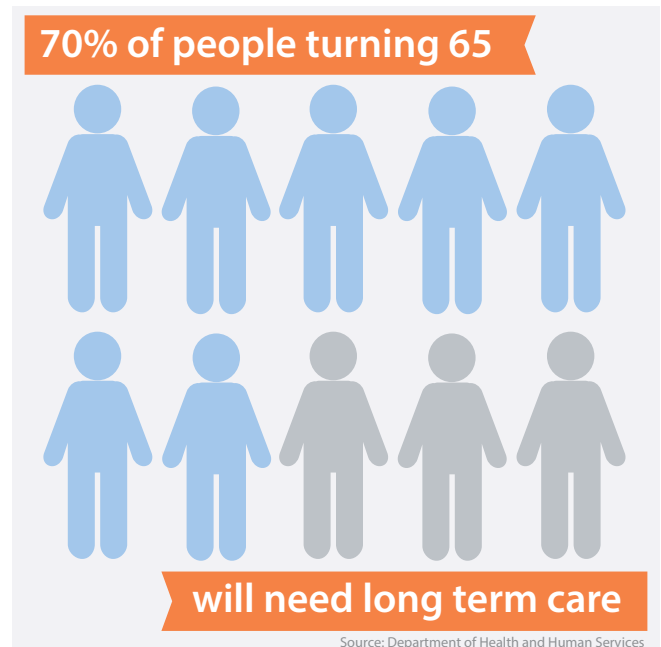
Long-term care policies offer tremendous value, especially when compared to increasing cost of paying for care out-of-pocket with income and savings. An extended health care event can play the **WILDCARD** in a retirement plan. A long-term care policy does not reduce the probability of needing care, but it does ease the financial, physical, and emotional toll that care giving places on one’s spouse and children.

Here are three strategies to maximize value in a long-term care policy.

1. Options to pay premiums with pre-tax dollars

- **Business owners and self-employed.** All or a portion of a business owner’s (and spouse’s) premium may be deductible as a medical expense when paid through their business. Talk to a tax advisor about how this would apply.

- **HSA or MSA.** A withdrawal up to the (age based) eligible premium amount may be taken income tax free to pay a long-term care premium.
- **Non-qualified annuity.** The Pension Protection Act (PPA 2006) allows tax free withdrawals from a non-qualified annuity to pay for long-term care expenses. This is a great strategy for those who have annuities with low cost basis and lots of tax deferred growth. Transfer funds from your existing annuity into an annuity that is PPA compliant with long-term care benefits.
- **Re-purpose Life Insurance.** Transfer the cash value in your life insurance policy to a hybrid long-term policy, without paying taxes on any gain. Long-term care benefits are received tax free. If you pass away without needing care, a death benefit is still paid to your beneficiary.



2. Look for creative ways to customize policy benefits.

- Consider **“co-insuring”** with a smaller, less expensive policy. Design benefits to “take the sting out” of care costs but not pay for everything. Having some protection provides peace of mind knowing your financial exposure to the high cost of an extended health care event is reduced.
- **Shared Benefits** provide flexibility for couples. This feature allows spouses/partners to access benefits in each other's policy in the event they exhaust their own policy benefits. If only spouse needs care and uses all the benefits in their policy, they can then use the benefits in the other's policy. Or, when one passes, any benefits remaining in their policy are available for the surviving spouse/partner. Consider policies with shorter benefit durations and linking them together.

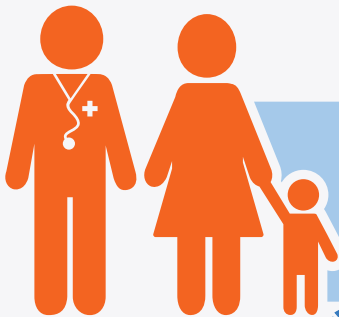
3. Lastly, be sure to look at **Hybrid Long-Term Care policies.** These policies will always pay out a benefit no matter what the future holds. Many like these policies because if care is needed, the policy pays benefits to cover those expenses. If care is not needed, the policy will pay a death benefit to a named beneficiary. Policy owners can access the cash in their policy at any time or cancel it for its surrender value. These policies can be funded with a single premium or ongoing annual premiums. And, **qualified requirement assets such as an IRA or 401(k) can be used to fund a hybrid long-term care policy.**

What to Consider When Planning your Long-Term Care

Where you would receive care

Care can be provided at home, in a long-term care facility or a unique combination of both.

* Most people in need of long-term care prefer to stay at home as long as possible.



Who would provide your care

Long-term care is typically provided by either a family member or an aide.

* In 2009, 1 in 4 adults were unpaid caregivers to a family member.

What will pay for your care

The cost of long-term care can be partially covered by private or public health programs.

* Many plans have limitations so it is important to understand what is and is not covered.



Life events can happen unexpectedly.
That is why it is important to plan ahead and protect your nest egg.

Source: LongTermCare.gov

- It's not too early to formally address this issue and develop a plan to protect your family and finances.
- Long-term care insurance is a cost effective way to fund your plan.
- Eligibility and rates are based on your age and health; don't wait, take care of this when you are young and healthy.
- Work with an agent who specializes in long-term care who can maximize value with a policy customized for your specific needs and budget.

To learn what a long-term care policy covers, what it costs, and what your options are, contact Mr. Tisdale at (888) 705-9274 or email him at brad@tisdaleins.com. Explore what you can do to provide a safe and financially secure future for you and your family.

¹ American Association of Long-Term Care Insurance



**RAMSEY
Endorsed
Local Providers**

Brad Tisdale is an independent agent specializing in long-term care since 1995. CA Insurance License #0B64696



WHY LONG-TERM CARE INSURANCE

Financial Security, Quality Care, Independence, Control, Choices...

What's Important to you?

- My longevity risk, I do not want to run out of money
- I do not want to be a financial or physical burden to my family
- I want monthly cash flow to pay for quality care in the place I chose to receive care
- I want to protect my assets and retirement income, and keep money in the family
- I am a planner; I want control of my financial future
- I do not want to end up on Medicaid (or MediCal in California)
- I understand that Medicare and Health Insurance do not pay for custodial care

Check your top two reasons and describe why they are important to you:

1) _____

2) _____

“All the investment planning in the world can be destroyed if you don't cover this major risk”, Dow Jones Investment Advisor

For What Policies Cover, What They Cost, and What Your Options Are,

**Contact: Brad Tisdale, your Guide to Long-Term Care Insurance
(888) 705-9274 | brad@tisdaleins.com**