

## SENIOR LIVING

### Brad Tisdale: With Higher Rates, Is Long-Term Care Insurance Still a Viable Option?

By Brad Tisdale for Mission Wealth Management | Published on 11.08.2013 3:43 p.m.

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Surveys continue to show that many people are unprepared for the cost of a chronic disability due to frailty, 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 2012, insurance companies collectively paid \$6.6 billion in claims to policyholders. In order to pay future claims, insurance companies are charging higher rates.

Nevertheless, long-term care policies still offer tremendous value, especially when compared to the cost of paying for care with income and savings. An extended health-care event can play the wild card 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 caregiving 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 (2006) allows a partial withdrawal from one's annuity each year to pay their premium without paying income tax on the portion of the withdrawal that is gain. This is a great strategy for those who have annuities with low cost basis and lots of tax deferred growth. This legislation is ahead of the insurance companies so make sure the carrier being considered is set up for this.

» Retired public safety officer. Distributions, of up to \$3,000 annually, from an eligible retirement plan used to pay a qualified long-term care insurance premium are excludible from income.



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## 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 coverage in place provides peace of mind knowing one is not 100 percent exposed in an extended health-care event.

» Shared benefit riders. If one spouse/partner exhausts their policy

benefits they can access the other’s benefits. For couples, perhaps only one will need care or if both for different durations. A shared benefit rider provides flexibility between their individual benefits.

## 3) Lastly, be sure to look at “linked benefit” coverage.

» 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.

November is long-term care awareness month and a good time to have a conversation about a plan to protect both family and finances; long-term care insurance is a cost effective way to fund this plan. When considering options, it is important to work with an agent who specializes in this coverage and can help maximize value with a policy customized for one’s specific needs and budget.

— Brad Tisdale, MS, CSA, is the director of insurance services at *Mission Wealth Management*. He is offering complimentary long-term care policy reviews during the month of November. He can be contacted at [btisdale@missionwealth.com](mailto:btisdale@missionwealth.com) or 805.690.3874. [Click here for more information.](#)

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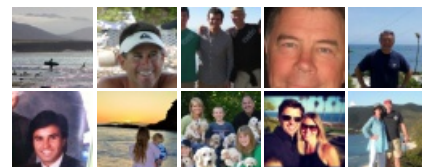
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