

The Importance of Long-Term Care

The costs of senior care and chronic illness are quickly becoming one of the greatest financial burdens for baby boomers and their children. Planning for the unexpected can not only save one's family hundreds of thousands of dollars but can also provide peace of mind knowing that both you and your family are protected against aging and illness.

Life insurance carriers have created unique Long-Term Care coverage that allows the owner of a life insurance policy to utilize the policy's death benefit for tax-free Long-Term Care purposes while the insured is still alive. A Long-Term Care rider through a life insurance policy works as follows:

- The insured receives a note from his or her doctor indicating that 2 of the 6 activities of daily living cannot be performed - eating, bathing, toileting, dressing, transferring and continence.
- The insurance carrier pays the LTC benefit and that payment can be used for anything
- If the LTC benefit is not used then the benefit amount can be paid as a tax-free death benefit

Below please find projections for a 60 year old male and female purchasing \$1mm of life insurance that includes \$1mm of Long-Term Care benefit. If the Long-Term Care rider is utilized in the insured's late 80's then the insured can expect a post-tax IRR of 6%-7%.

60 Year Old Male		60 Year Old Female	
Annual Premium:	\$14,809	Annual Premium:	\$12,352
Death Benefit:	\$1,000,000	Death Benefit:	\$1,000,000
Monthly LTC Benefit:	\$40,000	Monthly LTC Benefit:	\$40,000
Total LTC Benefit:	\$1,000,000	Total LTC Benefit:	\$1,000,000
Projected CV Yr 10:	\$40,701	Projected CV Yr 10:	\$33,686
Projected CV Yr 20:	\$159,417	Projected CV Yr 20:	\$139,402
Projected CV Yr 30:	\$271,606	Projected CV Yr 30:	\$234,182

*Policy Projected to Age 100
 *CV=Cash Value / policy equity

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