Long-Term Care Insurance: Which Type Is Right For You

Many individuals view a need for long-term care as potentially catastrophic to their retirement and estate plans. With the cost of long-term care averaging more than $255 per day[1], it is easy to see why many would feel this way. The thought of diligent saving and preparation for retirement and asset transfer being derailed by a lengthy long-term care need causes many to consider long-term care insurance.

The decision to purchase long-term care insurance is considered to be prudent planning by those who have considered the potentially devastating effects of a long-term care need. These individuals do not want their life savings depleted because they require a few years, or longer, of long-term care. Long-term care insurance can pay these potential costs, but what type of long-term care insurance is right for you?

When most people think of long-term care insurance, they imagine a policy that pays a specified daily benefit for a set period of time once care is needed and after a deductible is met. A policy is purchased, premiums are paid, and the policy holder has the comfort of knowing they have coverage if needed. For many, however, this represents a "use it or lose it" proposition. If care is never needed after premiums have been paid, sometimes for many years, the policy holder will have nothing to show for it. Additionally, it is likely these premiums will increase over the years as the frequency and cost of administering care increases. Sometimes premiums can become unaffordable before care is needed, causing policies to lapse.

If you are concerned about "losing your premium dollars if you never require long-term care, a hybrid policy is generally a universal life insurance policy with a rider that provides for long-term care.[2] If long-term care is not needed, a death benefit is paid to your beneficiaries or you can surrender the policy for a majority or full "return of premium" option, in which you would receive the majority or your entire original premiums back (subject to possible tax implication and carrier availability).[3] This way of being insured for long-term care is no longer a "use it or lose it" proposition. Also, because it is first and foremost a life insurance policy, the premiums cannot be increased. This means the policy holder will not have to worry about the policy becoming unaffordable before care is potentially needed.

Long-term care expenses can derail your retirement and estate plans. Long-term care insurance can provide the funds to pay for this care, so your retirement and estate plans can remain on track. Wartime veterans and their spouses may qualify for long-term care benefits based upon wartime service and should check with a qualified elder law estate attorney for details.

Carefully consider what might happen to your plans should you need long-term care and talk with your Stifel Financial Advisor about which type of long-term care coverage may be best for you.

[1] *Source: http://longtermcare.acl.gov/costs-how-to-pay/costs-of-care.html*

[2] *Riders that provide long-term care benefits may not cover all the costs associated with long-term care – costs that may be incurred during the period of coverage. You should review carefully all limitations in any policy you are considering and in the riders. Optional riders will incur additional cost.*

[3] *Return of premium must occur prior to the commencement of claims, assumes no loans or withdrawals, and is subject to each particular insurance company's restrictions. A portion of the amount returned to you may have tax implications, which you should discuss with your tax advisor.*