

Traditional/Stand-Alone Long-Term Care Insurance (LTCi)

Pros

- Highest degree of leverage/biggest bang for the buck
- Large number of inflation options to keep pace with future costs
- Shared benefits available
- Policy benefits can be tailored to meet a wide range of budgets
- State Partnership programs
- Possible tax incentives
- Conducive to employer groups with abbreviated underwriting
- Shared care

Cons

- As a form of health insurance, premiums are not guaranteed
- A significant number of insurance carriers have exited the market
- Strictest medical underwriting
- No death benefit (use it or lose it)
- No cash surrender value
- Gender-based premiums mean higher prices for females
- Most policies pay claims using the reimbursement method instead of cash indemnity

Linked-Benefit Life with LTC Riders

Pros

- Death benefit paid if not depleted paying for care
- Guaranteed premiums available
- May provide cash surrender value if canceled
- Premiums for females may be attractive compared to stand-alone LTCi
- Designs include reimbursement and cash indemnity benefits
- + 1035 Exchange from existing policy to new policy

Cons

- No inflation protection
- Others may be relying upon death benefit
- Shared benefits not available (although one company offers a survivorship policy covering two people)
- LTC rider is medically underwritten
- Life insurance premiums are not tax-deductible
- Not Partnership-eligible

Linked-Benefit Life with Chronic Illness Riders

Pros

- Cash indemnity benefits allow family & friends to provide care
- May offer overseas benefits
- Some policies involve no additional medical underwriting for CI rider
- Death benefit paid if not depleted for a chronic illness
- Guaranteed premiums available
- Premiums for females attractive compared to LTCi
- 1035 Exchange from existing policy to new policy

Cons

- Many require condition is expected to be permanent
- Some built-in CI riders discount the death benefit: cannot receive the full death benefit for care
- Shared benefits not available
- No inflation protection
- May not be marketed as LTCi
- Others may be relying upon death benefit
- Not Partnership-eligible

Hybrid Life/LTC

Pros

- Alternative to self-funding
- Guaranteed premiums
- Death benefit if not used for care
- Cash surrender value
- Claims methods include reimbursement, indemnity, cash indemnity available
- One carrier offers shared benefits & lifetime LTC rider
- Inflation protection available
- Return of premium
- Flex pay available

Cons

- Involves higher degree of self-funding
- Larger premiums

Hybrid Annuity/LTC

Pros

- Alternative to self-funding
- Excellent 1035 Exchange opportunity from old annuity to new, hybrid annuity
- Gains in annuity received as LTC benefits are tax free
- Easier medical underwriting
- Guaranteed premiums
- Qualified funds may be used to fund policy
- Inflation available

Cons

- Low interest rates stifle growth in annuity values
- Initial LTC benefits are essentially a return of client's own money - higher degree of self-funding
- If Qualified funds are used, benefits are taxable
- Surrender charge in first 9 years

Fixed Indexed Annuities w/Income Riders

Pros

- Very little medical underwriting and no telephone interview
- Extra income from rider available if LTC needed and can be used for any purpose
- Qualified and non-qualified funds may be used to purchase
- May provide a death benefit upon death of insured
- FIA may insure joint lives

Cons

- Growth in annuity may be subject to taxation upon receipt
- Higher degree of self-funding compared to most solutions
- Some require confinement to a nursing home
- LTC is a secondary benefit