



# Optimal Long Term Care Choices™

A Guide to Private Long Term Care Funding Options



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## A Guide to Private LTC Funding Options

### WELCOME!

Paying for Long Term Care (LTC) expenses can be a daunting burden. Couples that reach age 65 have a 70% chance that at least one of them will need LTC services before death. The consequences of needing LTC services, and not being prepared to pay for them, can have devastating financial effects on the family.

There are many factors that affect which funding strategy is best for you and your family.

This **Optimal Long Term Care Choices™** guide will help you understand the various strategies people consider when looking for ways to pay for LTC needs, whether those needs are already here or you are looking ahead toward the future. Your **Optimal Long Term Care Plan™** is primarily a function of these factors: your age, health, and financial state.

Other considerations, including your personal preferences regarding types of financial solutions, and lifestyle desires when care may be needed, are also important. This guide helps introduce you to the myriad of options from which you and your Total LTC Planning Advisor will choose.

**There are two broad categories of LTC FUNDING OPTIONS:** Insurance solutions and Non-Insurance solutions, and they are shown below.



**Fortunately, there are now many different options people can consider when preparing to pay for eventual LTC needs. Traditional LTC insurance (LTCI) is still a common LTC funding tool but is now only one of many options available.**

### INSURANCE-BASED SOLUTIONS

**LONG TERM CARE INSURANCE (LTCI)** – Traditional LTC insurance is purchased to cover approved LTC expenses up to maximum amounts selected at time of purchase. Normally you pay premiums for life, however, many policies waive premium payments when care is received.

- **Design** – In addition to choosing a maximum daily or monthly benefit amount, you choose a limit to how long these payments will last once you are on claim (i.e. 2 years, 5 years). Benefit payments normally don't last for a lifetime. Usually all care settings are covered, from home care and adult day programs to assisted living facilities, and even nursing homes.
- **Cost** – There are many variables that affect the cost of this insurance such as an elimination period (waiting period once you are benefit eligible after which benefit payments begin), daily benefit limits, lifetime benefit limits, inflation factors (these help your benefits grow each year), and your age and health when you buy your policy.
- **Health** – Companies assess your current and past health history to determine whether or not you qualify for this type of policy. The older you are, the harder it is for most people to medically qualify for LTCI. Should you purchase LTCI, and then pass away before using it, there is typically no refund of premiums paid. There are many different versions of LTCI available, including government-sanctioned Partnership policies, that provide benefits to you/your family should you have a catastrophic claim and want Medicaid benefits.

**LIFE AND LONG TERM CARE LINKED BENEFIT INSURANCE POLICIES** – These policies allow you to get your money back, whether or not you ever need long term care. In addition, these types of policies often provide an interesting combination of premium flexibility and guarantees.

These policies provide benefit dollars that can be accessed two ways: you need LTC, and/or you die. Either way, someone is going to be paid a benefit. A typical scenario is that someone qualifies for the LTC benefit, then passes away, and any remaining policy benefit is paid to their heirs.

Like traditional LTCI policies, there are also many factors in custom-designing a policy. They include:

- **Premiums** – You can pay premiums periodically for life, set up a defined payment term (i.e., 10 years), or even make one lump sum payment up front and have no future premiums due.

It is possible to design these policies to return all of your premium dollars to you after a few years should you decide to cancel the policy before accessing the benefits.

- **Health** – During the health underwriting process, some companies assess your life expectancy only, and some assess both your life expectancy as well as your probability of needing LTC services. **Especially when someone has certain medical conditions, the type of underwriting that is used should be a key factor in determining which company and type of policy may be your best choice.**
- **Benefit Amount** – Unlike LTCI that has benefit limits linked to time (benefit period), these policies have benefit limits linked to a percentage of life insurance proceeds. Some policies provide a LTC benefit pool that is larger than the death benefit, while others simply enable you to access the death benefit early if you need LTC services.
- **Benefit Access** – Most of these policies pay LTC benefits the same way LTCI policies pay benefits. However, a few policies have a different requirement – for example, that you be deemed to be chronically ill for life before benefits will be paid.
- **Employer-Sponsored Life/LTC Plans** – Life/LTC policies are sometimes offered through employers, usually with more favorable underwriting.

**ANNUITY AND LONG TERM CARE LINKED BENEFIT INSURANCE POLICIES** – Similar to their life/LTC linked benefit policies, these policies instead have an annuity contract as the base coverage.

**HOME CARE ONLY LTCI POLICIES** – These policies are like traditional long term care insurance, with one big exception: they pay benefits for covered home care services only.

**SHORT TERM CARE INSURANCE (STCI)** – These policies work similarly to LTCI except their benefit payouts last one year or less. The appeal of these types of policies is that the premiums are much more affordable than traditional LTCI plans. Also, underwriting for some of these plans is less stringent than LTCI plans.

**CRITICAL ILLNESS INSURANCE (CI)** – Critical Illness policies typically pay a lump sum cash amount (you choose how much) when you first become diagnosed with a significant, specific condition or disease that is named in the policy. Common examples of named critical illnesses are: Alzheimer’s disease, stroke, heart attack, and internal cancer.

These policies can help a family pay for LTC expenses associated with a new diagnosis without all of the benefit eligibility requirements or waiting periods associated with traditional LTCI plans.

Also, CI plans can help you cover gaps in time when expenses are being paid out by you but other insurance hasn’t yet begun to reimburse those costs. Underwriting for CI plans varies by company – from a requirement of full medical underwriting to streamlined medical reviews.

**IMMEDIATE ANNUITIES (IA)** – An immediate annuity is essentially a predictable, steady income stream that starts right away. The income stream can be set up to last for life, set for a period of time, or be set at a specific, periodic dollar amount. When an IA is set up to last for life, there can be a provision to pay a survivor if the initial annuitant has passed away.

When it comes to long term care planning, some people purchase an immediate annuity to convert existing cash, an asset, into an income which can be allocated to pay LTC insurance premiums, meet LTC expenses, or sometimes to help qualify for government assistance. Purchasing an immediate annuity is a relatively simple, quick process.

**There have been significant developments in LTC funding options in recent years. Today, there are new, creative programs and tools people can use to help pay for current or eventual LTC needs. Virtually everyone, regardless of age, health, or financial status, can find at least one option to consider to help pay for LTC expenses.**

## NON-INSURANCE BASED SOLUTIONS

**PRE-PAID NON-MEDICAL HOME CARE SERVICE CONTRACTS** – Do you have a diagnosis or condition where you know that services will be needed in the future, but they aren't needed yet? These programs allow you to purchase a block of network-provided home care services at 'wholesale' rates now, to avoid paying 'retail' rates later.

Also, there is no underwriting, no co-pays, no deductible, and no age limits. You cannot be receiving nor require LTC services at the time you purchase this program. It is a viable option for people who tried to purchase traditional LTCL, Life/LTC linked benefit coverage, or short term care insurance but could not qualify for those programs.

### **LIFE INSURANCE CONVERSION PROGRAM** –

If you have a life insurance policy, did you know there's a way for it to provide cash to pay current long term care expenses? This unique program enables you to sell your life insurance and use the proceeds to pay for care.

Virtually all types of life insurance policies qualify for this program. All types of LTC services in all settings also qualify for payment. In order to be eligible for this program, the insured person needs to require LTC services now, or expect to need them within 90 days.

**REVERSE MORTGAGE** – The Home Equity Conversion Mortgage (HECM), commonly referred to as a Reverse Mortgage, is another financial tool that can be used to pay for long term care. Reverse Mortgages are available to homeowners, age 62 or older.

Reverse mortgages are now both highly regulated and insured by FHA; this provides borrowers some protections, and also requires the homeowner, and the home itself, to pass some underwriting requirements.

The homeowner does not need to make payments to pay off a Reverse Mortgage while residing in their home. However, once the homeowner no longer permanently resides in the house, or passes away, the Reverse Mortgage must be paid off. The amount of the loan to be paid back cannot ever exceed the value of the house; this protects heirs.

Reverse Mortgage proceeds can be received in various ways. The homeowner can receive a lump sum payment, a periodic income, set up a line of credit, or some combination of these options.

Implementing a Reverse Mortgage can be a viable LTC funding tool for an individual or spouse where at least one person expects to remain in their home for at least three (3) years.

## WHAT NOW?

Now that you have a general overview of the variety of options available to accomplish your personal long term care planning, it's time to take action. The professional who gave you this Guide can help you choose and implement your **Optimal Long Term Care Plan™**. Contact them to receive professional advice and guidance.

Then, put your **Optimal Long Term Care Plan™** in place!

*This **Optimal Long Term Care Choices™** document is intended to provide basic information about the many private LTC Funding options that are available to individuals. The options listed may not be all-inclusive. Also, this **Optimal Long Term Care Choices™** document is not a solicitation to purchase insurance or any other product. This **Optimal Long Term Care Choices™** document is also not providing any legal, tax, accounting, or other professional advice. Not all options are available in all states or at all ages. Also, a person's health affects product availability.*

*Insurance products are complex financial contracts, can vary by state, and can also have variations from one company to another. The non-insurance programs also involve contracts. Specific types of insurance, mortgage broker, or other licenses are required by individuals and/or companies that may offer the various programs and contracts illustrated above. Many licenses are state specific. Should you consider obtaining a product or program illustrated above, it is important that you work with professionals and companies that are properly licensed to offer these products in the state in which you reside. Also, not all licensed professionals represent nor offer all company options or product or program types. You should consider working with a licensed professional or advisor that either represents all of the funding options available to you in your state, or work with someone who can refer you to a properly licensed and trained professional that can discuss all available funding options for you. When evaluating your long term care funding options, it is also important that you read the contracts and other material documents that pertain to the product(s) you may consider obtaining.*

*This **Optimal Long Term Care Choices™** document provides very general, non-state specific, information and an overview of the various options that may be available. Each individual and family situation is unique. Working with a Long Term Care professional helps people know all of the options available in their specific situation.*