Long Term Care University

Long Term Care University – Question of the Month

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Q: Once my benefits begin, will they run out at the end of the number of years or benefit multiplier I choose for my long term care insurance policy?

The Problem – Benefits Limited to a Set Number of Years or Benefit Period
Most long term care insurance policies require you to purchase a set number of benefit years. An incorrect assumption is that your benefits run out after that set number of years – even if there is still money left in your benefit pool.

The Solution – Benefits Limited to the Money in Your Benefit Pool, Not Necessarily to a Set Number of Years
Long term care insurance policy benefits are based on the value of your policy's benefit pool (sometimes called a personal benefit account). The benefit pool can be calculated by multiplying the daily or monthly benefit amount by the number of years (sometimes called a benefit period or benefit multiplier). For example, if you chose a $200 daily benefit or a $6,000 monthly benefit and a five year benefit period (benefit multiplier) your benefit pool (personal benefit account) would equal $365,000.

Daily or Monthly Benefit Amount	Benefit Period or Benefit Multiplier	Benefit Pool or Personal Benefit Account
$200 Per Day or $6,000 Per Month	X 5 Years	= $365,000

The Benefit Pool is Similar to a Savings Account, Available until You Deplete the Balance
Your benefit pool is similar to a savings account that is accessible through an A.T.M. machine. Like an A.T.M. machine, your long term care insurance policy has a daily or monthly withdrawal (reimbursement) limit. Like your savings account, your benefit pool is available to you until you deplete all the money.

Using the example above, if you use the full $200 daily benefit or $6,000 monthly benefit every day or every month your $365,000 benefit pool will be depleted in five years. If you only use 50% of your available benefit ($100 per day or $3,000 per month) your $365,000 benefit pool will be depleted in 10 years. If you only use 25% of your available benefit ($50 per day or $1,500 per month) your $365,000 benefit pool will be depleted in 20 years.

Long Term Care Insurance Benefits Do Not Expire at the End of the Benefit Period, They Expire When the Benefits are Depleted		
Using Benefits at $200 Per Day or $6,000 Per Month $365,000 Benefit Pool Lasts	**Using Benefits at $100 Per Day or $3,000 Per Month $365,000 Benefit Pool Lasts**	**Using Benefits at $50 Per Day or $1,500 Per Month $365,000 Benefit Pool Lasts**
5 Years	10 Years	20 Years

The Benefit Pool is Similar to a Savings Account, Growing Even as You Deplete the Balance
In the example above, the long term care insurance policy did not include inflation protection. If the policy had 5% compound inflation protection the remaining balance of the benefit pool would continue to grow even as the benefit pool is being depleted. While using the benefits of your policy reduces the benefit pool, the 5% compound inflation protection simultaneously replenishes some of those benefits. Like a savings account, you continue to earn interest on the balance of the account even as your make withdrawals – until you deplete the entire balance.

Action Step – Think of Your Long Term Care Insurance Benefit Pool Like a Savings Account
Treat your long term care insurance benefit pool like a savings account. Rather than worrying about your benefits expiring at the end of your policy's benefit period (five years, for example), know the benefits will last as long as you have a balance in your benefit pool. Like a savings account, your benefit pool does not have an expiration date.

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