



Long Term Care University

Long Term Care University – Question of the Month

By Aaron Skloff, AIF, CFA, MBA

09/15/23

Q: We read the Long Term Care University article that compares Traditional to Hybrid-Combination Life and Long Term Care (LTC) Insurance and prefer the Hybrid-Combination LTC policy. Can you please review the **Brighthouse SmartCare** Hybrid LTC policy?

Overview. Brighthouse Life Insurance Company, an A.M. Best A rated, founded in 2017 (originating from Travelers and MetLife). The Brighthouse SmartCare policy is a Hybrid Life and Long Term Care Insurance (also called Combination or asset based) policy. With Traditional LTC policies, premiums can be increased and you may not receive any benefits if you do not need LTC. With Hybrid LTC policies the benefits and premiums are guaranteed. The insurance company either: 1) pays you if you need LTC, 2) pays your heirs if you do not need LTC, 3) pays you and your heirs if you need a modest amount of LTC or 4) pays you a refund if you cancel the policy.

Brighthouse SmartCare is Unique Because it is a Cash Indemnity Policy. There are two primary benefit payment methods among LTC policies. Reimbursement policies, the most common type of policies, require you to submit documentation of all expenses for reimbursement up to your monthly LTC benefits. Cash Indemnity policies pay up to your monthly LTC benefits, regardless of your expenses.

Brighthouse SmartCare is Unique Because It is an Indexed Universal Life Insurance Policy Offering the Option to Link Policy Values to Major Market Indices. With most LTC policies you choose a fixed inflation protection growth rate (e.g.: 3% or 5% compound). With Brighthouse SmartCare you can choose a fixed inflation protection or one linked to a financial market indices (**indexed**). **Benefit amounts have the potential to increase with market gains up to an annual maximum growth rate (cap) but will never drop below the policy's original amounts.** You can choose to track one or more of the following indices: S&P 500 Index, Russell 2000 Index, or MSCI EAFE Index.

Brighthouse SmartCare Policy Options. The policy options include: Benefit periods of 4 or 6 years; Inflation protection of none, 5% compound or indexed; Elimination period of 90 days; Terminal illness benefit at the lesser of \$250,000 or 50% of your policy's face amount; Cash surrender value varies by benefit design and inflation protection option selected. **International Benefits are 100% of monthly maximum LTC benefit for the entire benefit period (e.g.: 6 years).**

Brighthouse SmartCare Policy Premium Payment Options. They include: one time (single-pay) through 5 years (5-pay). **Like buying a home, the longer your payment option, the higher your cumulative payments.**

How Brighthouse SmartCare Compares with Other Hybrid LTC Policies. Let's look at a husband and wife, Bill and Sue, who are each 55 years old and reside in Maryland. They each pay a \$100,000 one-time premium (\$200,000 combined with Nationwide Carematters Together and OneAmerica State Life Asset Care) and are expected to need LTC in 25 years at the age of 80. They are comparing Hybrid policies that offer the largest LTC benefits with inflation protection **included** in the premium (unless noted otherwise). They prefer Cash Indemnity (reimbursement policies in blue, cash indemnity policies in green in the chart below).

Brighthouse SmartCare Underperforms Most Competitors on a Guaranteed Basis with Lower Monthly and Total LTC Benefits. Bill will have \$13,358 monthly and \$1,090,308 total LTC benefits, while Sue will have \$9,179 and \$749,255, respectively. **Lincoln MoneyGuard Fixed Advantage** is a strong alternative due to its **0 day** elimination period. **Nationwide CareMatters II** is a strong cash indemnity alternative for Bill and Sue due to its high monthly and total LTC benefits and its **90 day with 0 day retroactive** elimination period. **Nationwide CareMatters Together** is a strong cash indemnity alternative for Bill and Sue due to its high monthly and total LTC benefits and its **90 day with 0 day retroactive** elimination period. **Securian Minnesota Life SecureCare III** is a strong cash indemnity alternative for Bill and Sue due to its high monthly and total LTC benefits. **OneAmerica State Life Asset Care** is a strong alternative due to its **unlimited, lifetime** total LTC benefits.

Insurance Company and Product Name	Policy Owner - Age	Benefit Payment Method	Elimination Period	Premium	Surrender Value Year 6	Age 120 Death Benefit	Age 55 Monthly LTC Benefit	Age 55 Total LTC Benefits	Inflation Protection	Age 80 Monthly LTC Benefit	Age 80 Total LTC Benefits
Brighthouse SmartCare	Bill - 55	Cash Indemnity	90 Days	\$ 100,000	\$ 67,165	\$ 96,603	\$ 3,945	\$ 321,971	5% Compound	\$ 13,358	\$ 1,090,308
	Sue - 55	Cash Indemnity	90 Days	\$ 100,000	\$ 62,858	\$ 66,385	\$ 2,711	\$ 221,257	5% Compound	\$ 9,179	\$ 749,255
Lincoln MoneyGuard Fixed Advantage	Bill - 55	Reimbursement or	0 Days	\$ 100,000	\$ 70,000	\$ 100,000	\$ 4,128	\$ 336,950	5% Compound	\$ 13,980	\$ 1,141,031
	Sue - 55	50% Cash Indemnity	0 Days	\$ 100,000	\$ 70,000	\$ 137,636	\$ 5,735	\$ 445,143	3% Compound	\$ 12,008	\$ 932,031
Nationwide CareMatters II	Bill - 55	Cash Indemnity	90 Days with	\$ 100,000	\$ 42,451	\$ 100,000	\$ 4,079	\$ 398,558	5% Compound	\$ 13,814	\$ 1,349,660
	Sue - 55	Cash Indemnity	0 Days Retroactive	\$ 100,000	\$ 54,277	\$ 100,000	\$ 5,714	\$ 525,361	3% Compound	\$ 11,963	\$ 1,099,989
Nationwide CareMatters Together	Bill - 55	Cash Indemnity	90 Days with	\$ 200,000	\$ 87,968	\$ 261,322	\$ 7,259	\$ 774,588	3% Compound	\$ 15,199	\$ 1,621,816
	Sue - 55	Cash Indemnity	0 Days Retroactive	Combined	Combined	Combined	\$ 7,259	Combined	3% Compound	\$ 15,199	Combined
Securian Minnesota Life SecureCare III	Bill - 55	Cash Indemnity	90 Days	\$ 100,000	\$ 75,699	\$ 164,036	\$ 6,835	\$ 553,622	5% Simple	\$ 15,378	\$ 1,168,757
	Sue - 55	Cash Indemnity	90 Days	\$ 100,000	\$ 59,455	\$ 140,217	\$ 5,842	\$ 473,232	5% Simple	\$ 13,145	\$ 990,046
OneAmerica State Life Asset Care	Bill - 55	Reimbursement	0 Days Home	\$ 200,000	\$ 113,165	\$ 330,294	\$ 9,909	Unlimited	None	\$ 9,909	Unlimited
	Sue - 55	Reimbursement	90 Days Other	Combined	Combined	Combined	\$ 9,909	Unlimited	None	\$ 9,909	Unlimited
OneAmerica State Life Asset Care	Bill - 55	Reimbursement	0 Days Home	\$ 200,000	\$ 48,456	\$ 141,427	\$ 4,243	Unlimited	3% Compound	\$ 8,625	Unlimited
	Sue - 55	Reimbursement	90 Days Other	Combined	Combined	Combined	\$ 4,243	Unlimited	3% Compound	\$ 8,625	Unlimited

Conclusions. Brighthouse SmartCare has the option to link policy values to market indices, with the flexibility of formal and informal care providers (including family and friends). Since premiums vary greatly based on age, health and marital status, request individualized quotes.

Aaron Skloff, Accredited Investment Fiduciary (AIF), Chartered Financial Analyst (CFA), Master of Business Administration (MBA), is the Chief Executive Officer of Skloff Financial Group, a Registered Investment Advisory firm. The firm specializes in financial planning and investment management services for high net worth individuals and benefits for small to middle sized companies. He can be contacted at www.skloff.com or 908-464-3060.