



# Long Term Care University

## Long Term Care University – Question of the Month

By Aaron Skloff, AIF, CFA, MBA

07/15/23

**Q:** We read the Long Term Care University article ‘Traditional Versus Hybrid Life and Long Term Care Insurance’ and prefer the Hybrid Long Term Care Insurance (LTC) policy. Can you please review the **Nationwide CareMatters Together** Hybrid Life and LTC policy?

**Overview.** Nationwide is part of Nationwide Mutual Insurance Company, an A.M. Best A+ rated, founded in 1926. The Nationwide CareMatters Together 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.

**Nationwide CareMatters Together is Unique Because It is a Shared Hybrid Life and LTC Policy.** There are two primary ways of insuring individuals with Hybrid Life and LTC policies. Individual Hybrid policies pay LTC benefits and/or a death benefit when you die. Shared (also called joint or second to die or survivorship) Hybrid policies pay LTC benefits to both policyholders and/or a death benefit when the last person (survivor) dies.

**Nationwide CareMatters Together 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 benefit, regardless of your expenses.

**Nationwide CareMatters Together is Unique Because It Pays for Formal and Informal Care from Family and Friends.** Most LTC policies prohibit informal care, particularly if the care is provided by family members. The Nationwide CareMatters Together policy allows you to use formal care providers (home care agencies or facilities) and informal care providers, including family and friends. Since informal care providers can be much less costly, you can obtain significantly more care with a lower monthly benefit. This is very valuable for home care.

**Nationwide CareMatters Together Policy Options.** The policy options include: Benefit periods of 4-8 years combined for two people; Inflation protection of none, 3% compound for 20 years, 3% compound, and 5% compound; **Elimination period of 90 days, with 0 day retroactive**; Residual life insurance benefit (even if you deplete your LTC benefits) equal to 10% of specified amount of the death benefit.

**Nationwide CareMatters Together Policy Premium Payment Options.** They include: one time (single-pay), 5 years (5-pay), 10 years (10-pay), 20 years (20-pay) and pay to age 100 (based on the older policyholder). **Like buying a home, the longer your payment option, the higher your cumulative payments.**

**Nationwide CareMatters Together Tax Benefits.** In addition to the LTC and death benefits being paid on a tax free basis, the LTC portion of the premium is eligible for a tax deduction by individuals or can be expensed by businesses (including sole proprietorships). Individuals can pay premiums from their HSA.

**How Nationwide CareMatters Together 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 Florida. They pay a combined \$200,000 one-time premium and are expected to need LTC in 25 years at the age of 80. They are comparing Shared Hybrid policies that offer the largest LTC benefits, with either a combined eight years of LTC and inflation protection **included** in the premium (unless noted otherwise) or unlimited, lifetime benefits. They prefer a cash indemnity policy.

The market for Shared Hybrid LTC policies is very limited. Only Nationwide and OneAmerica State Life offer these types of policies. The Nationwide policy is a **cash indemnity** policy (seen in **green** in the chart below). The OneAmerica State Life policy is a **reimbursement** policy, it offers lifetime, unlimited benefits (seen in **blue** in the chart below).

**Nationwide CareMatters Together with 3% Compound Inflation Protection:** Bill and Sue will each have **\$15,199 monthly** and \$1,621,816 total LTC benefits they can share at age 80. The policy will pay a \$261,332 death benefit when the last person dies if neither needs care. Although the death benefit is reduced by \$1 for each \$1 of care the policy pays, the policy has a \$26,132 guaranteed minimum death benefit - even if 100% of the LTC benefits are used.

**OneAmerica State Life Asset Care without Inflation Protection:** Bill and Sue will each have **\$9,909 monthly** and **unlimited, lifetime** total LTC benefits at age 55, 80 and all ages. The policy will pay a \$330,294 death benefit when the last person dies if neither needs care. The death benefit is reduced by \$1 for each \$1 of care the policy pays.

**OneAmerica State Life Asset Care with 3% Compound Inflation Protection:** Bill and Sue will each have **\$8,625 monthly** and **unlimited, lifetime** total LTC benefits at 80. The policy will pay a \$141,427 death benefit when the last person dies if neither needs care. The death benefit is reduced by \$1 for each \$1 of care the policy pays.

Insurance Company and Product Name	Policy Owner - Age	Benefit Payment Method	Elimination Period	Premium	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
Nationwide CareMatters Together	Bill - 55	Cash Indemnity	90 Days with	\$ 200,000	\$ 261,322	\$ 7,259	\$ 696,859	3% Compound	\$ 15,199	\$ 1,621,816
	Sue - 55	Cash Indemnity	0 Days Retroactive							
OneAmerica State Life Asset Care	Bill - 55	Reimbursement	0 Days Home	\$ 200,000	\$ 330,294	\$ 9,909	Unlimited	None	\$ 9,909	Unlimited
	Sue - 55	Reimbursement	90 Days Other							
OneAmerica State Life Asset Care	Bill - 55	Reimbursement	0 Days Home	\$ 200,000	\$ 141,427	\$ 4,243	Unlimited	3% Compound	\$ 8,625	Unlimited
	Sue - 55	Reimbursement	90 Days Other							

**Conclusions.** Nationwide CareMatters Together provides high monthly and total LTC benefits, 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](http://www.skloff.com) or 908-464-3060.