



# Long Term Care University

## Long Term Care University – Question of the Month

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**Q: We read ‘How a Term Life Insurance Policy Can Be Converted to a Permanent Life Insurance Policy That Also Pays for Care’ Part 1. Can you give examples of exercising the extended conversion and chronic illness conversion riders?**

### **The Problem – Understanding the Benefits of the Extended Conversion and Chronic Illness Conversion Riders**

Understanding the outcomes of exercising the extended conversion and chronic illness conversion riders can be confusing. Some policyholders believe they must complete additional health underwriting, while others believe they may be prohibited from exercising the riders if they are diagnosed with a health condition or disease.

### **The Solution – Understanding the Benefits of the Extended Conversion and Chronic Illness Conversion Riders with Examples**

Let’s look at two examples below, where the policyholders exercise their extended conversion and chronic illness conversion riders.

**Bill Coverts 100% of the Riders.** Bill, 40 years old and in preferred health, buys an inexpensive 30-year term life insurance policy with a \$1,000,000 death benefit, with extended conversion and chronic illness riders. Twenty-five years, when he is 65, he is overweight and has high blood pressure. Concerned his risk of needing care has increased, he exercises **100%** of both riders **without any health underwriting requirements** – leaving him with a \$1,000,000 permanent policy with a **preferred health rating** that can pay for his care and provide a death benefit. From the age of 80 through age 85, he needs care. His policy pays for \$900,000 of tax-free care. At the age of 86, when he dies, his policy pays a \$100,000 tax-free death benefit. **His policy paid a total of \$1,000,000 tax-free benefits.**

**Sue Coverts 50% of the Riders.** Sue, 40 years old and in preferred health, buys an inexpensive 30-year term life insurance policy with a \$1,000,000 death benefit, with extended conversion and chronic illness riders. Twenty-five years, when she is 65, she is diagnosed with early Alzheimer’s disease. Concerned her risk of needing care has skyrocketed, she exercises **50%** of both riders **without any health underwriting requirements** – leaving her with a \$500,000 permanent policy with a **preferred health rating** that can pay for her care and provide a death benefit. From the age of 66 through age 71, she needs care. Her policy pays for \$500,000 of tax-free care. She pays \$400,000 out-of-pocket for her care. At the age of 72, when she dies, her policy does not pay a death benefit, since she used all \$500,000 of her policy’s benefits to pay for her care. **Her policy paid a total of \$500,000 tax-free benefits.**

**Bill Buys \$1,000,000 Term Policy, Converts \$1,000,000, Needs \$900,000 of Care, Then Dies**  
**Sue Buys \$1,000,000 Term Policy, Converts \$500,000, Needs \$900,000 of Care,**  
**Sue Pays \$400,000 Out-of-Pocket for Care, Then Dies**

**Bill’s Policy Pays  
\$900,000  
Care Benefit**

**Bill’s Policy Pays  
\$100,000  
Death Benefit**

**Sue’s Policy Pays  
\$500,000  
Care Benefit**

**Sue Pays  
\$400,000  
Out-of-Pocket for Care**

### **Action Step – Buy an Inexpensive Term Life Insurance Policy with Extended Conversion and Chronic Illness Riders**

Purchase an inexpensive term life insurance policy with extended conversion and chronic illness conversion riders and gain the flexibility to convert to a permanent policy that can also pay for care when you are ready, regardless of your health.

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