Long Term Care University

Long Term Care University – Question of the Month

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Q: Many of the long term care insurance brochures reference to the Total Pool of Money. Can you explain what that means and how it relates to a Daily or Monthly Benefit? Can a Total Pool of Money last longer than the Benefit Period?

The Problem – Understanding the Total Pool of Money
The Total Pool of Money, sometimes referred to as Total Benefit Value, is the total amount of money available to cover your long term care expenses on a daily or monthly basis. The Pool of Money is calculated by multiplying your Daily or Monthly Benefit by the Benefit Period. The value of the Total Pool of Money will be affected by claims payments, inflation protection and additions from the passing of a spouse or partner (if you have a Shared Care policy). For example, if you selected a Daily Benefit of $300 and a Benefit Period of five years, your Total Pool of Money would be $547,500.

Daily Benefit	X	Days Per Year	X	Benefit Period	=	Total Pool of Money
$300	X	365	X	5 Years	=	$547,500

Making Your Actual Benefit Period Last Longer than Your Stated Benefit Period
Your Daily Benefit can be thought of as your daily withdrawal limit from your Automated Teller Machine (A.T.M.). Although your balance is $547,500, the daily withdrawal limit is $300. Try to withdrawal more than $300 in a day and the A.T.M. will tell you that you have reached your daily limit. With your long term care insurance policy, request reimbursement in excess of your Daily Benefit and the insurance company will tell you that you have reached your daily limit.

Your Actual Benefit Period is determined by how quickly you incur Actual Long Term Care Expenses, within the Daily Benefit limit. Divide your Daily Benefit by your Actual Long Term Care Expenses and then multiply by the policy Benefit Period to determine your Actual Benefit Period. For example, if you only accumulate $150 of Long Term Care (LTC) Expenses per day, or half the $300 Daily Benefit, your Total Pool of Money remains the same while your Actual Benefit Period will be 10 years.

Daily Benefit	/	Actual LTC Expenses	X	Benefit Period	=	Actual Benefit Period
$300	/	$150	X	5 Years	=	10 Years

Your Actual Benefit Period Could Last Shorter than Your Stated Benefit Period
Some long term care insurance companies allow you to increase your Daily Benefit for Home Care. The formula for determining you Actual Benefit Period is the same as in the previous example. For example, if you selected a 150% Home Care benefit, that reimburses 150% of the Daily Limit for Long Term Care expenses incurred in your home and your Actual LTC Expenses are $450 per day, your Total Pool of Money remains the same while your Actual Benefit Period will be 3.33 Years.

Daily Benefit	/	Actual LTC Expenses	X	Benefit Period	=	Actual Benefit Period
$300	/	$450	X	5 Years	=	3.33 Years

Action Step – Understand How Your Total Pool of Money and Actual Benefit Period Relate to One Another
Your policy design will determine your Daily Benefit, Benefit Period and Total Pool of Money, while your Actual Expenses will determine your Actual Benefit Period.

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