



# Long Term Care University

## Long Term Care University – Question of the Month

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**Q: What are the advantages of a Combination (Hybrid) Life and Long Term Care insurance policy versus a Traditional Long Term Care insurance policy, and vice versa?**

### **The Problem – Comparing Apples and Oranges**

What happens to all those premiums you pay for a Long Term Care (LTC) Insurance policy if you pass away and never use the policy? The same thing that happens to all those premiums you pay for a homeowners insurance policy if you pass away and never use the policy – the insurance company keeps them and you are happy you never had a claim. But, simply having peace of mind over the life of your policy may not be good enough for some consumers. You may feel like you are getting a better value if you definitely get something back from the insurance company. Fortunately, insurance companies give you two types of policies to choose between.

With a **Traditional LTC Insurance** policy, you pay each year until you receive care; at which point your premiums are waived. Just like a homeowners insurance policy, you may never have a claim and never receive anything back from the insurance company. With a **Combination Life and LTC Insurance** policy, you make a one-time payment (or over a limited number of years). Combination policies provide long term care benefits if you need long term care, a death benefit if you die without needing LTC, or both if you need a limited amount of LTC. Due to their unique advantages, comparing the two is like comparing apples and oranges – as seen below.

### **The Solution - Understanding the Advantages of a Traditional Versus a Combination Life and Long Term Care Insurance Policy**

Combination Life and Long Term Care Insurance	Traditional Long Term Care Insurance
1. Pays for long term care if you need it, a death benefit if you don't, or a both if you need a limited amount of care	1. Pays for long term care if you need it
2. Premiums are guaranteed - your rates can never be increased	2. Premiums are subject to increase with approval from your state's Insurance Commissioner
3. Benefit period can be Lifetime	3. Benefit period usually limited to 5 years
4. Policies are ineligible for Partnership Program Medicaid Asset Protection	4. Policies are eligible for Partnership Program Medicaid Asset Protection

**Numbers Speak Louder than Words.** Let's look at a husband and wife of average health that are each 55 years of age. They are comparing Combination and Traditional policies. They select coverage of \$7,500 per month, per person for LTC. They select a Lifetime benefit period on the Combination policy and a five year benefit period on the Traditional policy.

**Combination Policy.** Following a combined one-time premium payment of \$112,448 they immediately gain an unlimited amount of tax free LTC benefits for each person's Lifetime. They also gain a \$187,488 tax free death benefit when the second person dies. For each \$1 of LTC benefits the policy pays the death benefit is reduced by \$1.

**Traditional Policy.** Following a combined annual premium payment of \$3,623 they will immediately gain a \$450,000 per person (\$900,000 combined) tax free LTC benefit. Over the course of 25 years, when they are 80 years of age and likely to need long term care, they will have paid a combined \$90,825 if their premiums are never increased.

		Combination Life and Long Term Care Insurance Policy				Traditional Long Term Care Insurance Policy			
Policy Year	Tax Free Monthly LTC Benefit	Combined Cumulative Premiums	Per Person LTC Benefit Years	Combined Tax Free LTC Benefits	Tax Free Death Benefit	Combined Cumulative Premiums	Per Person LTC Benefit Years	Combined Tax Free LTC Benefits	Tax Free Death Benefit
1	\$ 7,500	\$ 112,448	Lifetime	Unlimited	\$ 187,488	\$ 3,633	5 Years	\$ 900,000	\$ 0
25	\$ 7,500	\$ 112,448	Lifetime	Unlimited	\$ 187,488	\$ 90,825	5 Years	\$ 900,000	\$ 0

### **Action Step – Review Multiple Quotes Before Purchasing Traditional or Combination Life and Long Term Care Insurance**

Since Traditional and Combination Life and Long Term Care Insurance policies pay for your LTC and protect your assets, purchase a policy that provides you the greatest advantages. As prices vary between companies, review multiple quotes before purchasing a policy.

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