



Long Term Care University

Long Term Care University – Question of the Month

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Q: We read the Long Term Care University article that compares Traditional to Combination Life and Long Term Care (LTC) Insurance, Combination Life and LTC Insurance With and Without Inflation Protection, and Combination Life and LTC Insurance With and Without Inflation Protection Part 2. We prefer the Combination policy (or Hybrid). Are there other inflation protection designs for a Combination policy with Lifetime benefits?

The Problem – The Cost of an Extended Period of Long Term Care

According to the U.S. Department of Health and Human Services, 7 in 10 people over the age 65 will require long term care. Although the average length of long term care is approximately three years, 20% will need care for longer than five years. One of the largest long term care insurance companies reported that 50% of all claims dollars it has paid are due to dementia, including Alzheimer's disease. According to the Alzheimer's Association, 1 in 9 people age 65 and older and about 1 in 3 people age 85 and older have Alzheimer's disease. The duration of Alzheimer's disease is generally four to eight years after a diagnosis, but can last as long as 20 years. **Applying the historical 4% compound growth rate of long term care services, the cost of care will double every 18 years.**

The Solution – Combination Life and Long Term Care Insurance With or Without Inflation Protection

When evaluating Combination policies, it is important to understand what your monthly and total long term care (LTC) benefits are when you purchase the policy, and what they will be when you are likely to need care. It also important to understand your life insurance benefits.

Numbers Speak Louder than Words. Let's look at a husband and wife that are each 55 years of age. They are comparing Combination policies with lifetime benefits. The first policy has no inflation protection, while the second policy has no inflation protection on the base benefits and 3% compound inflation protection on the continuation benefit.

Combination Policy Without Inflation Protection. If they make a combined one-time premium payment of \$100,000 they immediately gain a combined tax free **\$12,280** per month LTC benefit (\$6,140 per month per person) available for an **unlimited** number of months for LTC costs; literally a **lifetime** worth of LTC. They also gain a combined tax free **\$153,488** death benefit when the second person dies, if the policy's LTC benefits are unused. Please see the chart below. **The pros of this policy are a high initial monthly LTC benefit and a lifetime of total LTC benefits that can never run out; along with a fixed death benefit. The cons are the monthly LTC benefit does not grow.**

Combination Policy Without Inflation Protection on Base Benefits and 3% Compound Inflation Protection on Continuation Benefits. If they make a combined one-time premium payment of \$100,000 they immediately gain a combined tax free **\$7,340** per month LTC benefit (\$3,670 per month per person) available for 25 months. **This is called the base benefit.** They also gain a combined tax free **\$70,488** death benefit when the second person dies, if the policy's LTC benefits are unused. Please see the chart below.

They also gain a second benefit that pays for LTC from the 26th month through the rest of their lives. **This is called the continuation benefit.** With 3% compound inflation protection, their continuation benefits will grow every year. In 25 years when they are likely to need LTC at the age of 80, they will have a tax free **\$14,920** per month LTC benefit (\$7,460 per month per person) available for an **unlimited** number of months for LTC costs; literally a **lifetime** worth of LTC. Compared to the policy without inflation protection, this policy has lower benefits in the first 25 months (\$7,340 vs. \$12,280) and higher benefits starting in the 26th month (\$14,920 vs. \$12,280 in year 25). Please see the chart below. **The pros of these policies are a lower initial monthly base and continuation LTC benefits, with an unlimited amount of growth on the continuation benefit. The cons are a lower monthly benefit if LTC is needed in earlier years and a lower death benefit.**

Combination Life and Long Term Care Insurance Policy Without Inflation Protection and Lifetime Benefits						Combination Life and Long Term Care Insurance Policy Without Inflation on Base and 3% Compound Inflation Protection on Continuation and Lifetime Benefits							
Their Policy Year	Per Person Tax Free Monthly LTC Benefit	Combined Cumulative Premiums	Per Person LTC Benefit Years	Combined Tax Free LTC Benefits	2nd to Die Tax Free Death Benefit	Their Policy Year	Base Per Person Tax Free Monthly LTC Benefit	Continuation Per Person Tax Free Monthly LTC Benefit	Combined Cumulative Premiums	Per Person LTC Benefit Years	Combined Tax Free LTC Benefits	2nd to Die Tax Free Death Benefit	
1	\$ 6,140	\$ 100,000	Lifetime	Unlimited	\$ 153,488	1	\$ 3,670	\$ 3,670	\$ 100,000	Lifetime	Unlimited	\$ 91,740	
25	\$ 6,140	\$ 100,000	Lifetime	Unlimited	\$ 153,488	25	\$ 3,670	\$ 7,460	\$ 100,000	Lifetime	Unlimited	\$ 91,740	
Total	\$ 12,280	\$ 100,000	Lifetime	Unlimited	\$ 153,488	Total	\$ 7,340	\$ 14,920	\$ 100,000	Lifetime	Unlimited	\$ 91,740	
30	\$ 6,140	\$ 100,000	Lifetime	Unlimited	\$ 153,488	30	\$ 3,670	\$ 8,648	\$ 100,000	Lifetime	Unlimited	\$ 91,740	
Total	\$ 12,280	\$ 100,000	Lifetime	Unlimited	\$ 153,488	Total	\$ 7,340	\$ 17,296	\$ 100,000	Lifetime	Unlimited	\$ 91,740	
35	\$ 6,140	\$ 100,000	Lifetime	Unlimited	\$ 153,488	35	\$ 3,670	\$ 10,026	\$ 100,000	Lifetime	Unlimited	\$ 91,740	
Total	\$ 12,280	\$ 100,000	Lifetime	Unlimited	\$ 153,488	Total	\$ 7,340	\$ 20,052	\$ 100,000	Lifetime	Unlimited	\$ 91,740	

Action Step – Purchase a Combination Life and Long Term Care Policy that Best Suits Your Needs

As prices vary between companies, review multiple quotes before purchasing a policy that best suits your needs.

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