



Long Term Care University

Long Term Care University – Question of the Month

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Q: What are the advantages of a 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 or major medical health 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 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 **Hybrid Life and LTC Insurance** policy, you make a one-time payment or over a limited number of years. Hybrid 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 types of policies is like comparing apples and oranges – as seen below.

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

Hybrid 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 Hybrid and Traditional policies. Their goal is to spend a total of \$200,000 either upfront or over time. They can purchase 6 years of per person or Lifetime LTC per person on a Hybrid policy or 5 years of LTC per person on a Traditional policy.

Hybrid Policy. Following a combined one-time premium payment of \$200,000 they will have a combined \$2,438,899 tax-free available for LTC costs in 25 years at the age of 80. They also gain a combined \$278,484 tax-free death benefit. For each \$1 of LTC benefits the policy pays the death benefit is reduced by \$1. Or, following a combined one-time premium payment of \$200,000 they will have a combined Lifetime, Unlimited tax-free amount available for LTC costs in 25 years. They also gain a \$298,293 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. See the chart below.

Traditional Policy. Following a combined annual premium payment of \$8,000, they will have a combined \$1,360,956 tax-free available for LTC costs in 25 years at the age of 80. If their premiums never increase, they will have paid a combined \$200,000 over the course of 25 years. There is no death benefit. See the chart below.

Policy Year	Hybrid Life and Long Term Care Insurance Policy				Hybrid Life and Long Term Care Insurance Policy				Traditional Long Term Care Insurance Policy			
	Combined Cumulative	Per Person	Combined	Combined	Combined Cumulative	Per Person	Combined	Combined	Combined Cumulative	Per Person	Combined	Combined
	Premiums	LTC Benefit Years	Tax Free LTC Benefits	Tax Free Death Benefit	Premiums	LTC Benefit Years	Tax Free LTC Benefits	Tax Free Death Benefit	Premiums	LTC Benefit Years	Tax Free LTC Benefits	Tax Free Death Benefit
1	\$ 200,000	6 Years	\$ 920,111	\$ 278,484	\$ 200,000	Lifetime	Unlimited	\$ 298,293	\$ 8,000	5 Years	\$ 650,000	\$ 0
25	\$ 200,000	6 Years	\$ 2,438,899	\$ 278,484	\$ 200,000	Lifetime	Unlimited	\$ 298,293	\$ 200,000	5 Years	\$ 1,360,956	\$ 0

Action Step – Compare and Contrast Before Purchasing Traditional or Hybrid Life and Long Term Care Insurance

Since Traditional and Hybrid Life and LTC Insurance policies pay for your LTC and protect your assets, purchase a policy that provides you the greatest advantages. Since premiums vary greatly based on age, health and marital status, request individualized quotes.

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