Long-Term Care (LTC) Planning Options

Smart Approaches for People at All Stages*

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Planning Today for Security Tomorrow

	TRADITIONAL LONG-TERM CARE INSURANCE †	LIFE INSURANCE WITH LONG-TERM CARE BENEFIT †	ANNUITIES WITH LONG-TERM CARE BENEFIT †	REVERSE MORTGAGE	HELOC	EXISTING LIFE INSURANCE
Overview	Insurance policy that offers LTC coverage.	“Hybrids” combine a life insurance death benefit with LTC benefits.	Annuity offerings that feature an enhanced pool of monies for LTC expenses.	Leverage home to pay for LTC expenses or fund a LTC policy.*		Existing life insurance policy may help pay for LTC or coverage.
Considerations	Flexible and customizable coverage. Benefits are tax free, and premiums may be tax deductible.* Can be costly. Premium payments not guaranteed and may increase. Underwriting required. Existing conditions may disqualify applicant. May never use benefit and cannot recoup premiums paid. Premium increases are now regulated.	Allows withdrawal of life insurance benefit to pay for LTC costs. Provides a benefit even if LTC is never used. Can be costly. Benefits are tax free, and premiums may be tax deductible.* Premium payments are set at issue and do not change. Underwriting required. Existing conditions may disqualify applicant. Some may be better served with standalone LTCI.	LTC Annuity doubles or triples the initial single premium payment to generate a tax free LTC benefit.* Fixed Indexed Annuity with LTC benefit is a “combo” product that provides enhanced income benefit when triggered. Both feature other annuity benefits, even if care option is not used – tax deferral, protection, modest growth, protected income.* Minimal underwriting - sometimes no medical exam needed. Those with existing health conditions may not qualify.	Age 62 and older, lender makes a loan that is paid back with interest when home is sold. No restrictions on use. Homeowner can never be forced out of their home. Loan not counted as income and doesn’t affect Medicare or Social Security benefits. May impact Medicaid eligibility.* Must be paid back if borrower lives outside home for 12 months. **Issue:** Heirs must pay back the loan to keep the home in the family.	Relatively simple, way to access money. Tends to be cheaper than a reverse mortgage. Loan interest may be tax deductible in the year interest is paid.* No requirement for the individual to continue living in the home — important if the individual needs outside care. Foreclosure risk if unable to repay the loan, or if bank freezes the loan.	Sell existing insurance policy to a Life Settlement Company. Proceeds from sale depend on age and health status.* Some life policies offer a cash advance on death benefit, aka “accelerated benefit.” Downside may be the elimination or reduction of death benefit for beneficiaries.

† Long-term care benefits are generally triggered by the inability to conduct 2 of 6 activities of daily living (ADLs) or cognitive impairment diagnosed by a qualified medical professional.

	HEALTH SAVINGS ACCOUNTS (HSA)	SELF FUND		MEDICAID
Overview	Tax-advantaged strategy for handling LTC expenses or paying LTC insurance premiums.*	**PRE-TAX SAVINGS** Pre-tax savings designated to pay for LTC or coverage.*	**INVESTMENTS** Self-funded LTC through a person's savings, investments or by selling assets.*	State and federally funded program may cover long-term care (LTC) for eligible individuals.
Considerations	HSA contributions reduce annual taxable income and grow tax deferred until monies are used to cover eligible healthcare expenses.* HSA withdrawals for medical expenses and LTC insurance premiums may be tax free when they meet certain guidelines.* After age 65, money may be used for anything without penalty.	Use large and untapped asset to cover care directly or to purchase coverage. IRA, 401(k), 403(b) assets have grown tax deferred.* To avoid 10% IRS penalty if under age 59 ½, Rule 72(t) allows for distributions that may pay for care or insurance.* Roth IRA conversion or back-door Roth IRA contribution may help fund care while offering tax-deferral and no RMDs.*	Existing health issues may disqualify candidates from insurance solutions. Pay for care if and as needed - no premiums. Save enough to cover 2-3 yrs. of LTC expenses – start saving early. Downside is not knowing how many years of care may be needed. Potential to run out of money with a negative impact to beneficiaries.	May cover long-term care at no cost to individual. **Issue:** Many who need LTC never qualify for Medicaid assistance, given income and asset limits. Must exhaust existing assets. 5-year lookback period to determine eligibility. *Medicaid Pending* period can be stressful, if immediate care is needed. Bed availability and quality of care may be problematic. Most do not count Medicaid as a valid plan to address LTC.

*Consult a qualified tax professional. This information is accurate as of 9/30/21 It is subject to legislative changes and is not intended to be legal or tax advice. Consult a financial professional regarding your specific circumstances. This material is furnished "as is" without warranty of any kind. Its accuracy and completeness is not guaranteed and all warranties expressed or implied are hereby excluded.

**Annuities are long-term investments designed for retirement purposes. Product guarantees are subject to the claims-paying ability of the issuing insurance company. Earnings, when withdrawn, are subject to federal and/or state income tax, including a 10% tax penalty for withdrawals before age 59 ½. Early withdrawals may be subject to surrender charges. Some income guarantees offered with annuities take the form of optional riders and carry charges in addition to the fees and charges associated with annuity products.