Why You Might Want to Consider Repositioning Assets to Pay for Long-Term Care

Presented by Matt Glova, CFP®

Today, people are living longer than ever but not always in the best of health. In fact, most individuals will need some form of long-term care in their lifetime. The aging process often leaves them needing assistance with activities of daily living (e.g., bathing or dressing), or they may be affected by cognitive disorders (e.g., Alzheimer's disease). Without a plan in place to pay for care, assets and income can be depleted quickly.

Putting a long-term care plan in place can give you an income stream to cover caregiving expenses, whether received at home, in an assisted-living facility, or in a nursing home. Plus, it helps protect assets you've earmarked for other purposes, as well as relieves your family of the burden of care.

Long-term care insurance hasn't always received the best press, however. Highly publicized rate increases may have you worried about your budget. Or you may be (understandably) reluctant to purchase a product you might not use. Before you decide to take the risk and self-insure, there's another option you might want to consider to help cover future long-term care costs.

Linked-Benefit Long-Term Care Insurance

Linked-benefit products combine life insurance with long-term care benefits by repositioning a portion of an asset (e.g., cash, CDs, money market funds, cash value from an existing life insurance policy, qualified money) into a linked-benefit product:

- You get leverage by accelerating and extending the death benefit for long-term care.
- If you don't need long-term care benefits, an income-tax-free death benefit will be available for beneficiaries.
- You maintain control of the asset with a return-of-premium feature.
- Premiums are guaranteed.
- Premiums can be paid as a lump sum or in multiple payments.

Remember: A linked-benefit policy is not an expense; rather, it's simply an existing asset that you have repositioned into an insurance policy. This asset remains on your balance sheet. And by creating an income stream to pay for long-term care expenses, you can keep the rest of your portfolio intact—therefore protecting your assets, income, lifestyle, and legacy plans.

How It Works

Suppose a 65-year-old married woman repositions $100,000 from an existing CD into a linked-benefit long-term care product. That single premium is leveraged into a pool of $320,000 for long-term care expenses, which will pay out $4,000 per month for six years. (The pool of money and monthly benefit grow at 5 percent simple inflation.) If she changes her mind and wants her money back, she is guaranteed to get her full $100,000 premium back after a 60-month surrender period. At age 85, her long-term care pool will have grown to $605,000, with a monthly benefit of $8,000.*

If you're interested in discussing how this strategy might be appropriate for your financial situation, please contact our office.

**This is a hypothetical example for illustrative purposes only. No specific investments were used. Actual results will vary. Past performance does not guarantee future results.*

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