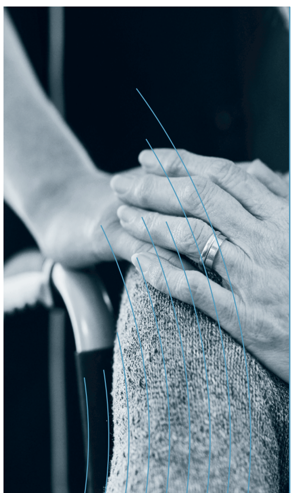
Long Term Care Insurance



Should I Pay the Increased Premium or Reduce My Benefits?

By Brittany TAYLOR, CFP®
Principal, Senior Financial Advisor

OVER THE LAST SEVERAL YEARS, we have seen premium increases on almost all existing traditional long-term care insurance (LTCI) policies, regardless of the carrier. We have seen more than one increase on older policies, and we are expecting increases to be ongoing.

The reason for the premium increases is that the actuaries for carriers offering the product originally underestimated both how long people would live and how many would need senior home care. Those early misjudgments mean that what were really good deals for early buyers are no longer viable from the carriers' perspectives. In fact, many of the early carriers have stopped offering the product and sold their LTCI business to other carriers. To put it into perspective, a new policy issue today for a 55-year-old couple with a benefit of $9,000 a month for four years with a five percent compound inflation adjustment and a 90-day elimination period is likely to cost more than $15,000 in annual premiums. Therefore, even considering increases in your current policy premiums, you are likely getting a good deal if you bought your policy at least a decade ago.

Premium increases might seem too expensive, that is, until you analyze the potential benefits you're giving up. You might be paying a few hundred dollars a year additional in premiums, but by not paying you could be surrendering hundreds of thousands of dollars in benefits. For example:

1. Reduce or eliminate inflation going forward.
Example: If your daily benefit is currently $300 per day with five percent compound inflation, your benefit will be $623.68 per day in 15 years. If you reduce the inflation to three percent annually going forward, your benefit in 15 years would be $467.39. The

daily difference of $156.29 translates to $57,045.77 in potential annual benefits, or $228,183.07 over a four-year benefit period.

2. Reduce your benefit period:
Example: Given the same daily benefit and accommodation for inflation, if you choose to reduce the benefit period by one year, your potential benefits in 15 years will be reduced by a total of $227,643.20.

3. Reduce your daily benefit:
Example: Given the same four-year benefit and five percent compound inflation, you reduce your $300 per day benefit to $250 per day, resulting in a reduced daily benefit in 15 years to $519.73, a reduction in total benefits over a four-year period by $151,764.01.

Reduction options can prove costly, and owners of long-term care insurance policies should consult their financial advisors before making such permanent decisions. Please call us if you have questions or concerns. We are always happy to work with you, including contacting the carrier, to review and weigh all the options to ensure you make an informed decision.

Brittany L. Taylor, CFP®
Principal, Senior Financial Advisor, HBKS® Wealth Advisors

Brittany Taylor helps her clients achieve their financial goals by establishing and overseeing financial plans specific to their unique economic and life situations. She employs a holistic approach with investment and wealth protection plans that help them attain their objectives. Contact Brittany at 814-459-1116; or email her at btaylor@hbkswealth.com.