



OPTIONS FOR LONG-TERM CARE PLANNING

The chart below describes the components of today’s various Long-Term Care planning solutions; each offers unique features and benefits to allow a Long-Term Care plan to become an integral part of a comprehensive financial plan. There are many factors to consider when determining how to design a Long-Term Care plan; including cost certainty, plan funding, residual value, underwriting and taxation.

	TRADITIONAL LTC INSURANCE	LIFE/LTC HYBRID	LIFE INSURANCE WITH LTC RIDER	ANNUITY/LTC HYBRID	ANNUITIES WITH INCOME RIDERS
Cost Certainty	NO LTC Insurance is essentially a form of health insurance, so plan costs can increase any time in the future.	YES All premiums are guaranteed.	YES All premiums are guaranteed.	YES All premiums are guaranteed.	YES All premiums are guaranteed.
Basic Plan Platform	Traditional LTC Insurance provides “use it, or lose it” types of benefits, much like home owners insurance.	Life insurance provides a guaranteed death benefit, with LTC benefits based on that death benefit.	Life insurance provides a death benefit, and the LTC “rider” provides access to that death benefit for LTC benefits	An annuity provides LTC benefits; based on a “multiplier” of the accumulated cash value and/or policy riders of the annuity.	The purchase of annuity provides a LTC benefit; which is based on the income guarantees of the annuity.
Residual Value If LTC Benefits Are Not Used	There is generally no residual value, unless a costly “return of premium” rider was purchased.	The death benefit is passed onto heirs tax-free, as would be the case with traditional life insurance.	The death benefit is passed onto heirs tax-free, as would be the case with traditional life insurance.	The Annuity’s death benefit is passed onto heirs, however Qualified accounts may be subject to other rules regarding transfer or taxation.	
Plan Funding	Premium payments are generally ongoing, usually for life, unless a shortened payment period is available for the plan.	This plan offers flexible funding from monthly to lump sum; even using cash values or the exchange of an existing life insurance or annuity contract. Qualified funds can also be used.	This plan offers flexible funding from monthly to lump sum; even using cash values or the exchange of an existing life insurance or annuity contract.	Plan may be funded with a lump sum of cash, qualified funds or an exchange of an existing annuity or life insurance contract.	
Underwriting	LTC Insurance is underwritten for “morbidity” and, with relatively few providers in the marketplace, preferred ratings are becoming quite difficult to obtain.	Simplified underwriting is usually available, including an application with medical questions and a phone interview for cognitive testing. Medical records may be requested, if needed.	Normal life insurance underwriting requirements would apply. However, life insurance underwriting tends to be more liberal than underwriting for Traditional LTC insurance.	Simplified underwriting is usually available, including an application with medical questions and a phone interview for cognitive testing. Medical records may be requested, if needed.	Generally, little if any underwriting is required, however activation of income riders may be delayed for a specified period of time.
Features & Benefits	Flexible Plan Design Allows for customization, with plan premiums based on the benefit level & options selected.	Flexible Plan Design Allows for customization, with plan premiums based on the benefit level & options selected.	Basic Plan Design Allows for little customization as LTC benefits are based simply on the death benefit.	Flexible Plan Design Allows some customization, with plan benefits based on the initial premium & selected options.	Basic Plan Design Allows for little customization, as LTC benefits are based simply on the initial deposit & annuity value.
Benefit Taxation	Benefits are intended to be income TAX-FREE under current tax law, up to federal limits, and will be reimbursed up to the maximum policy benefit for all levels of care of the contract				Generally, benefits will be taxable in the year taken.