Three Ways to Pay for Long-Term Care

Many consumers are hesitant to purchase coverage because of premium hikes applied to long-term care insurance and the disappearance of several trusted insurers from the market. However, the need for coverage remains. Recent research shows that the median cost of a private room in a nursing home exceeds $75,000. In addition to this, nursing home room rates are increasing by about 5 percent each year. Home care with 24-hour service calls is even more expensive. Not all individuals qualify for long-term care coverage. There are also people who simply do not want to buy the coverage. However, there are three additional ways to protect retirement savings from being affected by the cost of long-term care in the future. If benefits are not used, the insurance is applied toward an annuity or death benefit.

Long Term Care Policies & Annuities

A few companies offer combined annuities with long-term care policies that allow members a three-to-one leverage of investment. For example, up to $300,000 in long-term care benefits could come from a $100,000 annuity. People who already own deferred annuities but want to change them to tax-free combinations are especially attracted to these policies. It may also be easier for such people to qualify for this type of plan over a traditional long-term care policy. Distributions for money used for long-term care are not taxed under this plan. However, if money is withdrawn for other purposes, regular income taxes must be paid on earnings. Heirs may receive any unused portions of the annuity.

Life Insurance Combination Policies

New policies have been introduced by many companies to offer a product that combines long-term care coverage and life insurance. Members make premium payments or contribute a lump sum to enjoy guaranteed payouts for long-term care or a death benefit. These policies are best for people who are between the ages of 50 and 70 who still need life insurance but also desire coverage for protection against the costs of long-term care. By paying the premium in a lump sum, members are protected from policy hikes. However, some policies that offer premium payments over the span of 10 years promise that there will be no increase in premium amounts. Benefits begin when members require assistance with two or more activities of daily living. These include dressing, bathing, walking, transferring, toileting and eating. If an individual becomes physically or cognitively impaired, the benefits begin. Care can be obtained in a nursing home, assisted living facility or at a residence.

Longevity Insurance

When members reach a certain age, this type of plan pays out. The usual age threshold is about 85 years. Longevity insurance is a good way to make sure that outliving retirement income is not a possibility. It is also a good way to protect against long-term care costs that are required at older ages. Longevity coverage may be purchased by anyone. Health status, age and medical issues are not disqualifying factors. This means that it is a good choice for individuals who do not qualify for regular long-term care coverage. The disadvantage is that there is no death benefit if a member dies before age 85.