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Asset Based Long-Term Care Insurance

The traditional sales strategies for Long Term Care Insurance (LTCI) involve conventional long term care policies. Now, however, there are product alternatives – the **next generation** of asset-based LTCI products.

Advisors should stop thinking about product-focused sales strategies and start thinking in terms of client-focused, asset-based strategies. For CWPP™ advisors, the client always comes first and for many clients using an asset based LTCI policy will be the preferred way to go. The problem right now is that few advisors know asset based LTCI policies exist.

It is critical that the consumer and the agent agree that planning for long term care is appropriate and then find the right strategy. The objective should be to provide as much money as possible at the time of need to affect their lives positively. This focus takes us away from a narrow "product sales" focus into a real client-focused and asset-based strategy.

Asset-Based Strategy

The goal of the asset-based strategy is to position the client's savings properly for the most possible leverage. Many clients who are concerned about potential long term needs plan to "self-insure" and create a "just-in-case" stash of money to pay for their care. **The cash often is sitting idle in savings accounts, money market accounts, certificates of deposit, or annuities, and often will be the payment source for long term care**.

Additionally, the **mentality of the client is that they will not need Long Term Care Insurance**; and it is a painful thought for the client to pay sizable premiums for several years with the belief that the premium will end up being a waste of money due to a lack of need for the coverage (this is contrary to the statistics, but perception of the client creates their own reality).

Asset-based LTCI revolves around the concept of creating a much larger benefit from idle money that is laying around (via a death benefit or long term care coverage) while at the same time creating a scenario where the funds are available should the client need the money for other needs. **By moving this money into a properly designed life insurance policy, the clients retain control over these funds in case an emergency arises**.

Asset-based long term care funding strategies are called such because, unlike conventional Long Term Care Insurance, they hold cash value. These policies are typically universal life insurance policies that include benefits for long term care. While the benefit can differ substantially from carrier to carrier, most of these contracts will prepay the policy's death benefit if and when the insured needs long term care. Benefit triggers are similar to those required by conventional long term care policies, and some of these asset-based policies also allow the applicant to add a Long Term Care Insurance rider to the policy. If, for example, the entire death benefit has been exhausted for long term care and the insured continues to need care, the Long Term Care Insurance rider will continue to pay the benefit.

Asset-based long term care is a great way to reposition existing assets so that, not only is an income tax free death benefit (at a value that is likely must larger than the original investment) passed on to heirs, but the dollars amount available for long term care, should it be needed, is much larger as well. This approach is ideal for clients who dislike the 'use it or lose it' aspect of conventional long term care policies'. After all, the death benefit will be paid (either to the insured or to the insured's heirs) regardless of what happens to that client. A client who dies without using their conventional long term care policy loses any unused benefits and typically there is no benefit for heirs.

The following are features to look for in an Asset-Based LTC product:

Money-Back Guarantee

This is the most emotionally significant feature for the client. Even if the client never wants to pull all his or her money out, the fact that he could helps bring peace of mind. The client relaxes knowing that it is not an irrevocable decision. Without immediate access to the cash value of the life insurance policy, the client would think twice about purchasing this type of policy with money that is earmarked as emergency money (which might or might not be used for long term care expenses).

With some products, if the client pays the premium in on single deposit, the client will have access to the entire premium paid without the typical surrender charges associated with most life insurance policies. This creates, in essence, a tax deferred savings account where if the client never needs the money a much larger death benefit will pay to the heirs (verses the amount of money that would have paid to the heirs if the money would have grown in a taxable investment vehicle).

Qualified-LTCI Benefit

Part of the purpose of putting money in this kind of product is covering potential long term care costs. Advisors should be sure to offer a product that has qualified LTCI benefits that are tax free when paid to the client.

Complete-LTCI Benefit

The advisor should make sure the LTCI benefits are complete – they should cover a wide range of long term care situations, such as nursing homes, adult day care, and home health care. The goal is to help the client have as many options as possible.

Highly Rated Carrier

We are discussing life insurance and LTC. The product must be offered by a highly rated company. Guarantees must be based on the issuer's financial strength. The client needs to feel confident about the company's commitment to this kind of coverage.

Advisors can expand the number of clients they help when they change their mindset about this kind of product. Advisors should think beyond the conventional long term care sale and consider what the asset-based LTCI product offers. The main focus is not scary statistics or trying to convince clients of the many reasons Long Term Care Insurance is something they need. It really is about finding the most appropriate strategy for the clients and finding the best way for their funds to meet their overall needs now and in the future. Using an asset-based LTCI product with the features mentioned can help provide the clients the control and tax benefits they want and the protection and asset leverage they need.

Conclusion on LTCI

Every advisor (CPA/accountant, attorney, financial planner, and insurance agent) should be familiar with the importance of helping clients protect themselves and their heirs from what happens when clients ultimately need long term care. Unfortunately few advisors can competently advise their clients.

Besides death, the one type of insurance coverage a client will use is LTCI. If clients do not have LTCI, many will have to spend down their estate in order to qualify for Medicaid and then will be forced to live in the lower grade nursing homes.

Long term care of an elderly client affects the whole family and proper long term care planning is as much for the client as the client's heirs. With the information learned in this web-site clients hopefully will see the benefits of LTCI and will inquire further. While we hope you contact our firm to help you with your LTCI needs, we do encourage you to get help from somewhere and protect your family from the financial and emotional burdens of LTC.

To discuss LTCI for your particular situation, please fee free to contact our firm.