

# Talk of the Town

## Asset-Based Long-Term Care – Don't Miss Out



James D. Stillman

One of the things we've had a lot of requests to talk about is long-term care. In particular, something called "Asset-Based Long-Term Care". I did do an article some time ago on this subject, but things have changed quite a bit since then. Here at JDS Wealth Management, we're big believers in long-term care planning, because it's such a vital part of any retirement plan. Failing to plan for long-term care can be detrimental, and planning for it doesn't take that much effort or compromise these days.

The problem with traditional long-term care policies is two-fold. One, they were underpriced in the first place and two, not enough people purchased them to

cover the cost and liability for the insurance companies. This has caused premiums to increase, benefits to drop, and many folks have surrendered their policies as a result. Not a good situation to say the least, because the need for coverage still remains. The cost of a nursing home in North Carolina is approximately \$75,000 - \$80,000 per year. A married couple age 65 or older has a 50% - 70% chance of needing long-term care at some point, depending on what studies you want to believe.

Bottom line, not planning for long-term care needs is a huge mistake and could ruin your estate and legacy. Enter "Asset-Based Long-Term Care" strategies. The insurance industry has actually figured out a way to fix this problem where everybody wins, in a sense. Here's how it works: The base policy is either an annuity or life insurance policy, and then you add on features to provide long-term care coverage. I know there are those of you out there that think you don't like annuities or don't like life insurance, but you also may not understand the benefits that they can provide, especially during your retirement years. So please, bear with me. Here are a couple samples:

**#1 – Hybrid Indexed Annuity with an Income Doubler/Tripler for Long-Term Care** - It's a very simple concept, and it works really well. Let's assume that because of the income rider guarantee you were able to receive \$5,000 per year of lifetime income. With the LTC benefit, you could either double or triple (depending on the contract you choose) your income to help pay for long-term care costs. If your account value goes to zero, the increased income is still guaranteed for five years, and then it reverts back to the original income for life (either joint or single). Not bad, and everyone can qualify since there is no underwriting for annuities. The investment is guaranteed safe, the income is guaranteed, and it's just a matter of how you use it.

**#2 – Life Insurance with a Long-Term Care Rider** - Now, for this one you do have to be insurable, and the benefits are dependent on age and rating. But the benefits can be awesome! Here's an example we recently quoted:

Male age 63 (standard rating) with \$100,000 single premium gets a death benefit of \$193,192 and a long-term care benefit of \$489,729 (paid out monthly at \$6,802 for six years). That nearly doubles his premium for the death benefit, and he'll get nearly 5 times what he paid if he needs to use the long-term care benefits. Also, this particular product has a "Return of Premium Rider", so after the second year you have 100% access to your original premium, and it's guaranteed to be there even if the contract drops to the guaranteed minimum rate of 3%. Talk about leverage against an insurance company, and still with 100% liquidity and guarantees of your principle amount.

Yes, you do have to be insurable to use the insurance-based strategy, and you do have to take the time to learn about these newer "hybrid/asset-based strategies". In my humble opinion, it's the wave of the future when it comes to insured contracts and proper retirement planning. If you have "dead money" lying around earning nothing and you need income or long term care coverage, why not put that money to work? It sure beats throwing money at a traditional LTC policy that you may or may not use, or not having any coverage should you need it. Long-term care planning has now become a lot less frustrating with these products that offer multiple benefits.

As always, if anyone would like additional information, any of our free reports, or a free consultation, just give us a call at the office or shoot us an email. My book "Finding Safe Harbor in Retirement" is also now available. If you'd like a free copy, just let us know. Also, don't forget to listen to "The Safe Harbor Retirement Planning Show" on WSIC radio 1400AM & 100.7FM Wednesdays at 8:00am and Saturdays at 10:00am.

Until next month,

James D. Stillman

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