Mariner
WEALTH ADVISORS

Long-Term Care Insurance

Rider or Stand-Alone Policy?

It's not easy to think about becoming so ill you can no longer take care of yourself, but as with many difficult topics, a little planning today can make a big difference should an unfortunate event occur.

Up to 70% of people turning 65 require long-term care at some point in their lives.[1] That care can be expensive. In fact, in 2020, the annual average cost for long-term care in the United States ranged from $19,240 to $105,850, depending on the type of service.[2] At the high end, that expense can drain an individual's retirement savings in just a few short years.

When planning for retirement, you may wish to consider investing in long-term care insurance to provide peace of mind for you and your loved ones. Two of the most common methods of securing benefits for extended care include a stand-alone, long-term care insurance policy and an accelerated benefit rider on a life insurance policy. The best option for you will depend on your current situation and long-term financial goals.

Long-Term Care Insurance (Stand-Alone Policy)

Long-term care insurance policies reimburse expenses for services typically not covered by health insurance, Medicare or Medicaid. Common services include home care, assisted living and long-term care facilities. These policies accumulate no cash value, so you must use it or lose it.

Premium payments are required for life, and they will likely increase over time as you age, because they are not guaranteed. Inflation protection is available at a rate of 3%-5% per year from the purchase date. This means your benefits increase each year you own the policy as the cost of care increases. You must be determined as healthy to qualify, so consider purchasing a policy in your mid-50s, prior to any major medical issues, to receive the best possible rate.

A stand-alone policy may be an affordable way to cover long-term care expenses because you pay small amounts each year to cover large expenses in the future.

Life Insurance (Accelerated Death Benefit Rider)

An accelerated death benefit rider is a rider associated with your life insurance policy, but is not offered by all insurance companies.

The rider allows you to save on the monthly premiums of a stand-alone, long-term policy because the benefits come out of the life insurance death benefit (2% per month and greater is common). The policy owner would be eligible to receive these benefits while needing care, with the unused portion of the death benefits paid to the beneficiaries at death.

Inflation protection is an option with some of these plans, similar to the traditional plans. This option has premiums that can be guaranteed not to change and a payment plan customizable anywhere for a single payment to a monthly payment for life. Qualification for this option can be more flexible with a greater underwriting emphasis on mortality. If cost recovery of premiums paid is a priority for you, this option might be considered because the benefits will be paid, the question is when, not if.

Which Method Makes More Sense for Your Situation?

Any method of securing long-term care benefits may seem expensive from a cash flow perspective and, given the high likelihood of needing these benefits at some point in the future, it may be a worthwhile investment. As always, your wealth advisor will be able to provide guidance specific to your circumstances.

At Mariner Wealth Advisors, our in-house risk management team will work alongside your advisor to offer recommendations on long-term care insurance suited to your specific situation.

For more information visit: marinerwealthadvisors.com

Sources:
[1] "How Much Care Will You Need?"
[2] Annual Average Rate of Long-term Health Care in the U.S. By Type
[3] "Pros and Cons of Life Insurance With a Long-term Care Rider"