Long-Term Care Choices

A look at three other long-term care (LTC) coverage options.

Traditional long-term care insurance has grown costlier—and some of those who buy it may never need the coverage. Are potentially cheaper, flexible options available? Yes.[1]

Hybrid life insurance policies with LTC riders. These life insurance policies have LTC coverage options available for a fee that you can use if needed, with a coverage period and daily benefit comparable to a traditional LTC policy. They also offer something a standalone LTC policy may only offer at an additional cost—a death benefit. If you buy a hybrid insurance policy late in life, however, the premiums will be compressed into a shorter time frame, meaning you might not save money over a traditional LTC policy. In addition, the premiums on these policies aren't tax-deductible.[2,3]

Hybrid lifetime income contracts. These are insurance company products "guaranteeing"annuitized income—Fixed Annuities. Depending on the specifics of the annuity contract, you withdraw LTC funds against the value of the contract, or add an LTC benefit rider to the contract at additional cost. If you are intrigued by this, you should keep in mind that these income contracts can leave a substantial amount of your retirement savings in the hands of the insurer, with a surrender fee common to access the money if you want out of the contract.[3,4]

Health Savings Accounts (HSA). Commonly paired with high-deductible health insurance plans and funded with per-paycheck deferrals, HSAs let you save and invest for future healthcare needs. HSA dollars may be used to pay long-term care insurance premiums. Contributions aren't taxed, the account grows tax-deferred, and withdrawals are tax-free when used for qualified medical expenses.[5]

Study your options. Your health, age, gender, and desired coverage benefits will be major factors in the cost of these hybrid insurance products. They remain potentially useful in long-term care planning, and other options are also available to help you plan for eldercare costs.

[1] Time.com, "Why Long-Term Care Insurance is Becoming a Tougher Call", March 8, 2016
[2] CNBC.com, "Weigh the Many Options with Regard to Long Term Care Insurance", May 31,2016
[3] NerdWallet.com, "When Hybrid Long Term Care Insurance Makes Sense", June 22, 2016
[4] TheBalance.com, "Choices in Long-Term Care Health Insurance", October 12, 2016
[5] Ventura County Star, "Take a close look at health saving account options", August 21, 2017

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