2022 · WHAT ISSUES SHOULD I CONSIDER WHEN PURCHASING LONG-TERM CARE INSURANCE?

fpPATHFINDER

LTC NEEDS	YES	NO
Are you concerned about outliving your income/assets?	☐	☐
Do you want to protect a legacy to pass to your heirs?	☐	☐
Do you expect to reach an advanced age at which you are likely to need assistance with everyday tasks? If so, consider the following: ■ There are six general categories of activities of daily living (ADLs); assistance with two or more will trigger the activation of benefits under most LTC policies. ■ Cognitive impairments can also trigger LTC benefits, even if assistance with ADLs is not required.	☐	☐
Do you wish to assess your likely need for LTC services? If so, consider the average use of LTC services and your expectations regarding your health and independence, in light of your personal circumstances.	☐	☐
Do you have family who can provide and/or manage your care? If so, consider whether a policy pays for family caregivers and/or covers caregiver training.	☐	☐
Do you need to consider how your family (i.e., spouse or adult children) might be impacted if you require LTC services?	☐	☐

COVERAGE OPTIONS	YES	NO
Do you need to review what your current health insurance does and does not cover, and what gaps may be filled by LTC insurance?	☐	☐
Do you expect to need and qualify for Medicaid? If so, consider the following: ■ Medicaid might cover limited LTC needs. Be sure to review them. ■ A partnership-qualified (PQ) LTC insurance policy could provide asset protection for Medicaid purposes. For every dollar of insurance coverage paid, you could earn one dollar of Medicaid "asset disregard," allowing you to keep more of your assets above the Medicaid threshold. (continue on next column)	☐	☐

COVERAGE OPTIONS (CONTINUED)	YES	NO
Do you need to review the costs of LTC services? If so, consider the average annual costs of different levels of care in your community.	☐	☐
Do you need to review how your age and health affect your eligibility for coverage and pricing? If so, consider the following: ■ Certain pre-existing conditions are a bar to qualification for coverage. ■ Medical underwriting varies by insurer.	☐	☐
Do you want to insure for home health care, adult day care, assisted living, and/or nursing home care?	☐	☐
Do you need help determining what duration and amount of coverage works for you?	☐	☐
Do you want the option to purchase additional coverage in the future?	☐	☐
Do you want reimbursement for home modifications, medical equipment, etc.?	☐	☐

LTC FUNDING ISSUES	YES	NO
Do you have adequate personal savings to fund your anticipated LTC costs? If so, compare self-funding any future costs to paying up-front premiums for LTC insurance. Weigh the impact on your cash flow, asset base, and wealth transfer planning.	☐	☐
Do you have an HSA? If so, you can pay a portion of your LTC premiums from your HSA, based on your age at year-end ($450 up to age 40, $850 up to age 50, $1,690 up to age 60, $4,510 up to age 70, $5,640 over age 70).	☐	☐
Are you married and seeking coverage for yourself and your spouse? If so, explore discounts for married couples.	☐	☐
Does your employer offer LTC insurance, and is it portable?	☐	☐

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POLICY ISSUES	YES	NO
Do you need to review an insurer's quality? If so, consider the insurer's financial strength, reputation, and customer service ratings.	☐	☐
Could an insurer increase premiums? If so, review the history and frequency of premium rate adjustments.	☐	☐
Could you adjust your benefit amount, elimination period, and/or policy duration to control the costs of the policy?	☐	☐
Do you need to review any restrictions or exceptions?	☐	☐
Do you want inflation protection and/or nonforfeiture protection?	☐	☐
Are you interested in any other riders?	☐	☐
Do you need to determine what benefit payment best suits you? If so, compare fixed daily payments (i.e., cash indemnity) to reimbursement payments, subject to caps.	☐	☐

TAX ISSUES	YES	NO
If you are contemplating self-funding, do you need to examine the potential tax impact? If so, consider how relying on your retirement accounts and taxable portfolio might expose you to ordinary income tax, capital gains tax, Net Investment Income Tax (NIIT), and possible surcharges and/or penalties.	☐	☐
Do you have deductible medical expenses that approach 7.5% of your AGI? If so, premiums paid for a qualified LTC insurance policy can be included with other unreimbursed medical expenses ($450 up to age 40, $850 up to age 50, $1,690 up to age 60, $4,510 up to age 70, $5,640 over age 70). If you itemize, you can deduct unreimbursed medical expenses (including LTC premiums) that exceed 7.5% of AGI.	☐	☐
Do you need to review the federal taxation of benefits paid under an LTC insurance policy? If so, consider the following: ■ Reimbursement benefits paid from a qualified policy are generally income tax-free. (continue on next column)	☐	☐

TAX ISSUES (CONTINUED)	YES	NO
■ Indemnity benefits paid from a qualified policy are income tax-free up to $390 per diem, or your actual LTC expenses, whichever is greater. Payments that exceed the dollar cap, and for which no actual LTC costs are incurred, are included in taxable income. ■ Benefits paid from a non-qualified policy may be subject to income tax.		
Does your state offer tax incentives tied to LTC insurance coverage?	☐	☐

MISCELLANEOUS ISSUES	YES	NO
Do you need to explore alternatives to traditional LTC insurance? If so, consider the following: ■ A linked-benefit life insurance product could offer LTC coverage if there is a need, or a death benefit if the policy isn't used to pay for LTC services. ■ A rider on an annuity could provide LTC benefits in addition to residual value. ■ If you are age 62 or over and want to remain in your primary residence, a reverse mortgage could provide a lump sum or monthly payment, or a line of credit to fund LTC costs.	☐	☐
Do you need to gather your medical history in order to complete your application? If so, be sure to collect full and accurate records in order to provide truthful information.	☐	☐
Do you have an existing permanent life insurance policy or non-qualified annuity that no longer fits within your financial plan? If so, consider whether a 1035 exchange could offer a tax-free transition to a more suitable product.	☐	☐
Are there any other state-specific issues to consider?	☐	☐

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