News For Older Americans

Good Options For Funding Your Long-Term Care

(NAPSA)—Most Americans over the age of 65 will require long-term care at some point in their lives, with today's average senior likely to incur $138,000 in future long-term care costs, according to the U.S. Department of Health & Human Services. This is different from medical care and includes personal help with daily living activities such as bathing and dressing.

These services are typically not covered by Medicare or other traditional private health insurance. Unfortunately, the cost of long-term care insurance has risen significantly in the past decade and the number of carriers selling coverage has shrunk from roughly 100 to only a dozen or so now. That leaves Medicaid as the primary insurance coverage source for long-term care needs, but qualifying for Medicaid requires the virtual depletion of all personal assets.

Faced with this dilemma, American seniors must get creative about how to pay for long-term care or risk a major hit to their retirement funds.

The National Association of Insurance Commissioners (NAIC), the U.S. regulatory support organization created by the chief insurance regulators from all 50 states, formed a Long-Term Care Innovations Subgroup to study this issue. The group recently issued a report that endorsed some viable options for privately funding long-term care costs. Four specific options they laid out included the following:

- Single Premium Permanent Life Insurance Policies
- Annuity Long-Term Care Hybrid Policies
- Impaired-Risk Payout Annuities
- Life Settlements.

Of these recommended long-term care financing options, a life settlement is the only one that does not involve seniors buying anything or spending any money out of their own pockets.

A life settlement is a proven strategy for generating cash from an unwanted or unaffordable life insurance policy. In a life settlement transaction, a senior sells his or her life insurance policy to a third-party investor for an immediate cash payment. The investor then takes over the premiums on the policy and collects the death benefit when the insured passes away.

If you or someone you care about needs long-term care, selling an insurance policy can help you afford it.

Consumers who sell their policies receive a lump sum payment that is generally four or more times greater than if they lapsed or surrendered their policy, according to the NAIC, and these funds can then be used to pay for long-term care expenses without depleting other retirement assets. The NAIC report also notes that seniors "in immediate need of long-term care can sell their life insurance policies and receive the proceeds of the sale free from federal tax (Internal Revenue Code §101(g)).

"Some elder care providers and professional advisors recommend that their clients consider using life settlement proceeds to fund an account with a bank and trust company to make monthly payments directly to a designated long-term care provider," says the NAIC report. "Upon death, in addition to a modest reserve to defray final expenses, any remaining balance in the account is paid to a designated beneficiary."

For more information or to find a life settlement professional who can help you look into this option and see if it makes sense for you, call (800) 664-9024 or visit the LISA website at www.lisa.org.