



LONG-TERM CARE INSURANCE VS. SELF-INSURING

At least one of your clients has probably responded to you with the idea of self-insuring when you bring up the topic of long-term care. Overcoming this objection can be easy when you show your clients they can get coverage for pennies on the dollar.

Keep in mind that the idea of self-insuring is a financial view point of the effect a long-term care incident can have, as opposed to those conversations which naturally focus on the effect a long-term care event has on a family.

This chart below is intended to show you just how much your client will need, out of pocket, annually in order to save enough money to self insure, compared to what they will need to pay an annual premium. In both cases, the client will incur an annual expense, but as you see, long-term care insurance actually costs much less than fully self-insuring the risk. In fact, the amount required to self-insure is nearly ten times that of what a 50 year old's annual premium would be.

This chart tracks the growth of a policy with a \$6000/month benefit, 5 year Benefit Period, 5% Compound Inflation, Standard rates and Couple's discount.

Age	Cumulative Premiums Paid	Monthly Benefit	Total Pool
50	\$1,624	\$6,000	\$360,000
60	\$17,864	\$9,210	\$552,600
70	\$34,104	\$14,190	\$851,400
80	\$50,344	\$21,870	\$1,312,200

	Annual Cost	Total Investment over 30 Years	Lump Sum Investment	Total Benefit Amount (after 30 years)
LTCI	\$1,624 (premium)	\$48,720	\$23,000 (annual withdrawals from fund pays for premiums)	\$1,312,200 Tax Free
Self-Insure	\$15,876 (investment contribution with 6% return)	\$476,280	\$231,640 (NPV of desired \$\$ total assuming 6% return)	\$1,312,200 Pay tax on Gains

Anyone who can afford the out-of-pocket expense of almost \$16,000 per year understands that transferring that risk to an insurance company is the smart thing to do.

For more information please contact us at:
1-800-245-8108



*For broker use only