

Long Term Care Insurance, To Buy or Not to Buy!

Here are the Facts: Two individuals age 60, each has an investment account of \$120,000 earning 6%

- LTCI Proposed: \$150/Day, 100-Day Elimination Period (Zero-days for HHC), Unlimited Benefit Period, 5% Simple Inflation benefit
- Annual Premium = \$2,620
- One buys LTCI the other does not
- Each needs Long Term Care at age 75
 - Mr. Insured needs Home Health Care at \$140 / Day
 - Mr. Self-Insured needs Nursing Home Care at \$135 / Day
- Mr. Insured's investment account pays his premiums until Long Term Care is needed, then premiums are waived and his account continues to grow at 6%
- Mr. Self-Insured's investment account grows undiluted at 6% until Long Term Care is needed. The rest of this story is clear:

Point of Comparison	Mr. Insured (Age 60)	Mr. Self-Insured (Age 60)
Beginning Investment Account:	\$117,380 (\$120,000 - \$2,620 Ann. LTC Prem)	\$120,000
Investment Account at year 14, before LTC need:	\$200,880 (\$36,680 total LTC Premium Paid)	\$255,951
1 st Year Long Term Care costs	(- \$2,620) [Waived Premium returned]	\$ 49,275
Investment Account after 1 st Year of LTC Costs:	\$215,722	\$219,076
2 nd Year Long Term Care costs	- 0 -	\$ 52,231 (5% Inflation)
Investment Account after 2 nd Year of LTC Costs:	\$228,665	\$176,856
3 rd Year Long Term Care costs	- 0 -	\$ 54,325 (5% Inflation)
Investment Account after 3 rd Year of LTC Costs:	\$242,385	\$129,883
4 th Year Long Term Care costs	- 0 -	\$ 57,041 (5% Inflation)
Investment Account after 4 th Year of LTC Costs:	\$256,928	\$ 77,213
5 th Year Long Term Care costs	- 0 -	\$ 62,888 (5% Inflation)
Investment Account after 5 th Year of LTC Costs:	\$272,344	\$ 15,184
6 th Year Long Term Care costs	- 0 -	\$ 66,032 (5% Inflation)
Investment Account after 6 th Year of LTC Costs:	\$288,685	(-\$ 53,898)
Year 7 and beyond:	Investment Account continues to grow at 6% and remains entirely available to heirs. Total net premium outlay of \$34,060 is recouped in 253 benefit days.	Mr. Self-Insured is broke and will have to apply for Medicaid (Title19). There is nothing left for his heirs.

The chart below tracks the progress of the investment accounts of our two subjects.

Long Term Care Insurance: Buy or Not?

