Long-Term Care Rider

Available on Income Advantage℠ IUL and Life Protection Advantage℠ IUL policies

Get More Out of Life

With a Long-Term Care Rider

Help Your Clients Protect Their Assets and Leave an Inheritance

Many people work a lifetime to accumulate assets to pave the way for a comfortable retirement and to leave an inheritance for their children. The last thing anyone wants is to see their hard-earned savings depleted to pay for long-term care services.

Long-term care services, however, can quickly erode a client's assets. Almost 70 percent of people over age 65 will require chronic care later in life – for an average of three years. And, 20 percent of those individuals will need that care for longer than five years.*

Consider the costs:**

- The national average for a semiprivate room in a nursing home is $86,764 per year
- If your client needs three years of long-term care services, that equals $260,292
- If your client needs five years of long-term care services, that equals $433,820

And, those are based on 2016 numbers. Think about what those numbers would be 25 years down the road, assuming an average inflation rate of 3 percent, which is just under the average U.S. inflation rate of 3.27 percent:***

- The national average for a semiprivate room in a nursing home would be $181,665 per year
- If your client needs three years of long-term care services, that equals $544,994
- If your client needs five years of long-term care services, that equals $908,323

A long-term care rider on a life insurance policy is a good way for your clients to:

- Protect their loved ones in case of unexpected long-term care needs,
- Plan for their long-term care funding needs, and
- Provide a legacy for the loved ones they leave behind

Mutual of Omaha

Underwritten by
United of Omaha Life Insurance Company
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Case Study

Nick has done well for himself and plans to use his accumulated wealth for retirement income. When he passes away, he also plans to leave an inheritance for each of his three children.

At age 75, Nick becomes chronically ill and requires long-term care services. His remaining assets are worth $1 million. For simplicity, we'll assume that Nick's nursing home cost remains the same throughout his stay.

Consider two different scenarios:

Scenario 1:

Nick purchases a life insurance policy with a long-term care rider

At age 50, Nick purchases a $1 million Life Protection Advantage℠ policy. He chooses to add the LTC Rider with the option to accelerate the entire $1 million for long-term care services at a monthly maximum rate of 2 percent of the maximum benefit per month. This allows him to be reimbursed for up to $20,000 in long-term care expenses per month.

- When he needs long-term care services at age 75, he incurs qualifying expenses of $15,138.75 per month ($181,665 per year) for a semiprivate room in a nursing home. He resides there for four years before he passes. Over this four-year period, he is reimbursed for his four years of long-term care, which totals $726,660
- When he passes, his beneficiaries receive the remaining amount of $273,340 as a death benefit. He also still has his remaining $1 million in assets. When this $1,273,340 is divided among his three children, each will receive $424,446

Nick's planned premium on his Life Protection Advantage policy was approximately $11,000 per year. Even considering premiums paid, this planning strategy still makes sense. Plus, if Nick had died prior to needing long-term care, his beneficiaries would have received the entire $1 million as a death benefit.

Scenario 2:

Nick doesn't plan ahead for long-term care expenses

At age 50, Nick chooses not to plan ahead for the possibility of a long-term care need. By not planning ahead, he ultimately makes the choice to self-insure.

- When he goes into a nursing home at age 75, he starts taking $181,665 per year from his savings to pay for a semiprivate room. He resides there for four years before he passes. Over this four-year period, he spends $726,660 for long-term care services
- His long-term care expenses reduce his $1 million in assets down to $273,340. Each of his three children receives an inheritance of $91,000

And, depending on the types of assets he had, he could end up paying unexpected capital gains tax, income tax and potential surrender charges generated from asset liquidation. Or, he could miss out on any returns the liquid assets were expected to generate.

Summary

By choosing the LTC Rider on his life insurance plan, Nick's premium investment resulted in **each** of his three children ending up with significantly more inheritance than if Nick hadn't planned for long-term care expenses.

Help clients protect their assets and preserve their independence. Show them the value of an LTC Rider on their life insurance policy. Learn more about the LTC Rider at MutualofOmaha.com/ltc-rider.

* Source: U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, October 2017.
** Source: Mutual of Omaha's Cost of Care Study, conducted by Long-Term Care Group, 2015, released 2016.
*** Source: U.S. Bureau of Labor Statistics, Average inflation rate measurement from 1914-2018.