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LTC Update

Shared Care for Couples:

When "Unlimited LTC Benefits" Are NOT an Option!

*By Vivian P. Gallo, CLU, CSA, AEP, CLTC**

One of the key options that every long-term-care prospect must understand when purchasing long-term care insurance (LTCI) is the policy's benefit period (BP). It represents the minimum number of years that long-term care coverage will be provided, ranging from 2 to 10 years or even lifetime.

The number of years in the benefit period in reality is used to calculate the total pool of money that will be provided for long-term care costs. However, the failsafe option of unlimited benefits, which assures purchasers that coverage for their long-term care will always be available should they need it, comes at a price few of us can afford.

The truth is that most people are working with a budget that makes lifetime benefits an unaffordable luxury.

Shared Care Options Can Help Couples

For couples or partners, a shared care rider is often a practical alternative to costly lifetime benefits, one that can extend individual benefits at a more affordable cost. For partners, regardless of gender, long-term care carriers offer the same options and discounts as they do for married couples, thereby providing for the needs of the gay population as well as for other non-traditional partners who are not equally protected in the absence of a marital agreement. Although identical coverage must be purchased under shared care options, the added flexibility and potential to access additional benefits at a more affordable cost has many advantages.

Let’s take the case of Phil and June, ages 60 and 57 respectively, who have just begun planning for long-term care. On the recommendation of their financial planner, they sought the help of a LTC planning specialist. To provide for adequate coverage while staying within their budget, the planner recommended a shared care plan that would offer them extended security along with affordable coverage. And since there are several different shared care plans available on the market today, the planner carefully explained the differences in the coverage each of them provided, should Phil and June ever need long-term care.

In general, shared care policies provide two pools of money, one for each individual. If one person exhausts his or her pool, the other’s pool then becomes available, thereby extending the amount of time during which benefits can be provided. Under this plan Phil and June could access benefits separately or at the same time until the combined benefits paid under the policy exhaust the total available in both their benefit accounts.

Since Phil and June were considering a longer benefit period of 5 years with a $250 daily benefit, their individual pools of money totaled $456,250 each, which with the shared care option, can significantly enhance the benefits available for them. Should June become eligible for benefits, her individual premium would be eligible for premium waiver while Phil would continue to pay his premium as usual. And if she were to die, Phil would receive her unused benefits, without any change in his individual premium.

In addition, under some shared care plans, if June were to exhaust the entire pool of money, Phil would be offered the opportunity of purchasing two years of coverage on an attained age basis with ***no underwriting requirements,*** provided that he'd had no claims during the prior two years. Although attained age premiums can be costly, if there is a significant likelihood that the remaining party may also need long-term care, it might be a valuable option to consider.

While shared care plans work well for couples like Phil and June who are considering a 5-year benefit period, for individuals considering coverage with shorter benefit periods for instance 3 years, the shared care option may be of limited value since some of these policies stipulate that a minimum of 12 or 24 months of coverage must remain available for each person.

Had Phil and June preferred a shorter benefit period, however, an attractive option for them might have been a policy that offered three separate pools of money to be shared by both individuals during a 3-year BP. With this type of shared care policy, both would have had their own pool of money to cover them had either (or both of them simultaneously) needed long-term care during that period. Had June died before she used the full amount in her pool, however, Phil would have received the unused portion of her coverage and in addition he would have had available the additional third separate pool that either of them could have drawn from once their own benefits were exhausted. Unlike the previous plan, though, had June died before Phil, there would be no change in the original premium paid by the survivor.

A third type of shared care coverage is a jointly owned policy that provides one pool of money for both insureds in a single contract. Had Phil and June purchased this type of policy with a $900,000 total pool of money, when June needed long-term care and went on claim, the <u>total</u> policy premium would have been eligible for premium waiver. Had June died after receiving only $50,000 in benefits, Phil would have received the couple's unused benefits ($850,000), and the premium would have decreased to cover the portion of the premium attributable to him.

As you can see, there is no "one-size-fits-all" in choosing a shared care plan for LTC. Depending on a couple's circumstances, all shared care riders in individual plans and jointly owned policies have both plusses and minuses. By understanding the advantages and limitations of each type of coverage, informed consumers can make better choices for themselves. LTC planning specialists typically representing several carriers must fully comprehend all the differences and advantages of the various plans and be able to direct their clients toward those policies best suited to their individual needs and circumstances.

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