

# Business & Estate Advisers, Inc.

## *With Your Interest In Mind*

### CASE OF THE QUARTER CASE # 11 LONG TERM CARE INSURANCE

#### **BACKGROUND**

Long Term Care Insurance is something that is often sold and sometimes bought. By that we mean that many agents push it and many people may or may not need it. At any rate the products being offered are all of the guaranteed renewable variety which means premiums can increase at any time if the insurance company wishes to do so to all policyholders. This clause is a major problem with many current insured's as they see premium increases of 15%-20% taking place.

#### **OUR CASE**

One of our clients was on the fence as to wanting (or needing) Long Term Care Insurance. Our client also had significant retirement assets.

#### **THE SCENE BEFORE WE ARRIVED**

Our client had listened to several agents pitch their particular Long Term Care product. They had listened to "pay for life", "ten pay and done", etc. and were feeling that Long Term Care Insurance was expensive. If a future premium increase were to take place it would make it even more expensive.

#### **WHAT WE DID**

We introduced our client to a one pay product that totally eliminated the risk of a future premium increase.

#### **WHAT THEY NOW HAVE**

The client accepted our recommendation and now has a Long Term Care product with the following features:

1. The one pay premium of \$XXXX can be asked to be returned at anytime and 100% will be returned with the policy then being cancelled. This was a real plus for our client as the \$XXXX they removed from their other investments could be re-listed on their personal financial statement for the exact same \$XXXX. Their cost of the insurance is the loss of interest earnings on their one pay premium.
2. Should the client suffer the loss of two ADL's (Activities of Daily Living) they may collect from five to six times the one pay premium. The only catch to this clause is that they cannot receive more than 1/72<sup>nd</sup> of the benefit in the first month, in other words, there is a 6-year payout to collect the entire benefit.
3. Should the client die before asking for their premium back and before using the Long Term Care benefit their beneficiary would receive one and one-half to two times the one pay premium. Even if they fully collected all six years of the Long Term Care benefit there is a guaranteed 10% of the one-half to two times death benefit.

#### **BOTTOM LINE**

The client really liked the product because it was so simple to understand. Not having to make any annual premiums and the right to quit and get 100% of their money back at any time were important considerations for our client. With regular Long Term Care insurance a client may or may not ever collect anything. With this unique product they are assured to collect one of the three benefits.

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