

Business & Estate Advisers, Inc.
With Your Interest In Mind

CASE OF THE QUARTER
CASE # 2
CREATIVE LONG TERM CARE

GOAL

Client had been approached about purchasing long term care insurance but did not like the idea of paying \$3,000 - \$4,000 per year in premiums and still face possible future premium increases.

FACTS

Husband and wife were in early 60's and had adequate assets to do what they felt was "self insure" the long term care risk. Based on family history, the husband's family data indicated fast death in 60's or 70's was the norm with few actually ever spending time in a nursing home. Wife's history indicated long, healthy lifestyle followed by short stay (before death) in a nursing home. Client did not like the idea of long term care premiums that might never be used. Client had a great deal of investment funds and normally kept a couple hundred thousand in cash around.

SOLUTIONS

1. Life Insurance: We obtained a "simplified issue" life policy with a one pay premium of \$50,000 for the wife and a one pay premium of \$50,000 for the husband. The face amount of the policy was \$100,000.
 - Rider 1. We obtained a rider that always guaranteed that the "cash out" value (if client wanted to quit at any time) would be \$50,000 or the cash value if greater for each policy. Rider cost included in the \$50,000 deposit.
 - Rider 2. We obtained a second rider that provided long term care benefits of about \$75 per day if confined in early 60's. Idea was to partially insure as opposed to totally insure.
 - Rider 3. We obtained a third rider that provided a 5% annual increase in daily benefits. This meant that in early 70's the benefit would be around \$100 per day and in early 80's the benefit would be around \$150 per day and in 90's would actually be around \$250 per day.

Client liked for following reasons:

- ✓ Could get their money back at any time if needed for something else.
- ✓ Guaranteed to come out ahead:
 1. At death, guaranteed to double
 2. If nursing home, could collect for 72 months
 3. And, still collect another minimum of \$10,000 at death
- ✓ Premium can never increase as there are no further premiums!

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