

# NEW INSURANCE POLICIES BLEND LONG-TERM CARE AND LIFE INSURANCE COVERAGE

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Many people take a gamble when it comes to planning for their long-term care needs: They assume they will probably never need long-term care services, or that if they do need these services, they will rely on their savings to cover the cost. Consequently, their “planning” consists of doing nothing. This clearly isn’t a practical solution, because an extended period of long-term care could cause a person financial ruin.

The insurance industry has developed a new kind of coverage for people who hesitate to buy a long-term care insurance policy. This new type of coverage blends the benefits of life insurance with the protection of long-term care. Here’s how it works:

You pay a lump-sum premium for a universal life insurance policy, which builds up a tax-deferred cash value, in addition to providing life insurance that will pay a death benefit to your beneficiaries. If you need long-term care services, you can use this death benefit to help pay for the cost. Depending on the terms of the coverage, a \$500,000 life insurance policy might pay from \$200,000 to \$500,000 toward the cost of nursing home care, in-home care and/or assisted living expenses. The amount used to pay for long-term care expenses is deducted from the death benefit, and any part of the death benefit that is not used to pay for long-term care expenses is paid to your beneficiaries as life insurance proceeds. These proceeds are generally free from federal income tax.

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A blended life insurance/long-term care policy costs more, but there are potential advantages that may make this additional cost worth it for your situation. You have some earmarked, guaranteed funds to help pay for any needed long-term care services. If you don’t need long-term care services,

your beneficiaries receive the unreduced death benefit. In addition, universal policies typically charge a premium that is guaranteed to at least maintain the basic benefit, although it may not be enough to build cash value. That eliminates the problem of rising rates on long-term care insurance that prompt many people to shy away from buying this type of coverage.

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If you decide to buy a blended life insurance/long-term care insurance policy, be sure you understand the long-term care benefits it would provide. Exactly what type of long-term care services would the policy pay for? In-home care? Assisted living? Adult day care? Nursing home care? How does the policy determine the amount of long-term care benefits it would pay? For example, does the policy pay a percentage of the total death benefit, or does it pay a percentage of the death benefit monthly?

Check if you can add inflation protection coverage. Find out if there are any conditions under which premiums could increase. Also, make sure that the policy is “tax-qualified,” so that long-term care benefits won’t be taxed as income.

Every person’s needs vary, but if this type of dual long-term care and life insurance coverage suits your needs, you’re able to buy two types of insurance protection in a single policy, and with a single premium.

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