


## Which type of insurance is best?

There is no “best” product when it comes to long term care insurance (LTCi). It depends on your goals and what you can afford over the long term. BuddyIns LTCi specialists use a broad portfolio of products and carriers. This allows them the greatest latitude to structure a solution that fits your needs.

Solution Type	Top Features	Limitations
<p><b>Traditional LTCI</b> Protect your assets from an extended healthcare event.</p> <p><b>Ideal for clients who are funding with income.</b></p> 	<ul style="list-style-type: none"> <li>✓ More affordable recurring pay</li> <li>✓ 10-pay option</li> <li>✓ Shared care for partners</li> <li>✓ Inflation protection</li> <li>✓ May use HSA/HRA/MSA to fund premiums</li> <li>✓ Tax-deductible for business owners</li> <li>✓ Dollar-for-dollar asset protection from Medicaid in many states</li> <li>✓ Customizable</li> </ul>	<ul style="list-style-type: none"> <li>⊖ Conservative underwriting</li> <li>⊖ Premiums may rise</li> <li>⊖ Use it or lose it - no return of premium</li> </ul>
<p><b>Short Term Care</b> Alternative to standalone LTC for up to 1 year.</p> <p><b>Ideal for older ages, those with health challenges or coverage gaps.</b></p>	<ul style="list-style-type: none"> <li>✓ Products available for older ages</li> <li>✓ Can pay in addition to Medicare benefit</li> <li>✓ Some have cash payout for home care (no bills/receipts)</li> <li>✓ Easier to qualify based on health or height/weight</li> <li>✓ Many have a 0-day elimination period and can be used in addition to other coverages</li> </ul>	<ul style="list-style-type: none"> <li>⊖ Not available in all states</li> <li>⊖ Limited inflation protection</li> <li>⊖ In most cases, the benefit period is limited to one year for facility and one year for home care</li> </ul> <p style="text-align: right;"><a href="http://www.buddyins.com/plan">www.buddyins.com/plan</a></p>

## Hybrid products explained

Traditional long term care insurance products may not be the best fit for everyone. That's why we offer insurance solutions that include other product types. These hybrid products may be better suited for those who cannot qualify for traditional LTCi or who may want LTC coverage without worrying about premium increases. These products also offer value if long term care is never needed.

Solution Type	Top Features	Limitations
<p><b>Life Hybrid with LTC Extension (3 in 1)</b> Protect your assets from an extended health care event, retain max flexibility.</p> <p><b>Ideal for those who are funding with assets or income.</b></p> 	<ul style="list-style-type: none"><li>✔ Combines a life insurance product with an accelerated death benefit and LTC extension rider (3 in 1)</li><li>✔ Tax-free life and LTC benefits</li><li>✔ Flexible payment options</li><li>✔ Guaranteed premium and cash value</li><li>✔ May offer cash payout with no bills/receipts</li><li>✔ May offer tax advantages for individuals, business owners, and HSA/HRA/MSA funding</li></ul>	<ul style="list-style-type: none"><li>⊖ Opportunity cost if funding with assets</li><li>⊖ Not the same tax advantages for business owners on the life insurance portion</li></ul>
<p><b>Life Hybrid with LTC/CI Rider (2 in 1)</b> Maximize your death benefit while retaining moderate flexibility.</p> <p><b>Ideal for younger ages with more of a life insurance need.</b></p>	<ul style="list-style-type: none"><li>✔ Combines a life insurance product with an accelerated death benefit (2 in 1)</li><li>✔ Retain liquidity and flexibility</li><li>✔ No premium increase to worry about</li><li>✔ Not paying for unused benefits</li><li>✔ No claims process</li></ul>	<ul style="list-style-type: none"><li>⊖ No inflation protection</li><li>⊖ If LTC is needed, death benefit reduced</li><li>⊖ Higher premiums to optimize LTC benefits</li><li>⊖ Benefits may be determined at time of claim</li></ul>
<p><b>Annuity Hybrid with LTC Multiplier</b> Reposition an asset to provide immediate tax-free LTC coverage.</p> <p><b>Ideal for older ages or those who have health challenges or are funding with assets.</b></p>	<ul style="list-style-type: none"><li>✔ Tax-free LTC benefits</li><li>✔ Easier to qualify based on health or height/weight</li><li>✔ Allows tax-free 1035 exchanges from annuities to allow benefits to be paid tax-free</li></ul>	<ul style="list-style-type: none"><li>⊖ Requires lump sum funding</li><li>⊖ Limited inflation options</li><li>⊖ Fewer carriers and not available in all states</li><li>⊖ Reimbursement model with 90-day elimination period</li></ul> <p><a href="http://www.buddyins.com/plan">www.buddyins.com/plan</a></p>

# Alternative Solutions

The following solutions may be appropriate for those who cannot qualify for insurance. What is most important is that you know your options and have some kind of plan in place for your future.

Solution Type	Top Features	Limitations
<p><b>Indexed Annuities</b> Long term care options for those with health concerns. <b>Ideal for those who are uninsurable with a 20+ year horizon.</b></p>	<ul style="list-style-type: none"> <li>✔ Limited or no medical underwriting</li> <li>✔ Market growth potential with limited downside risk</li> <li>✔ Some products offer extra income for LTC</li> </ul>	<ul style="list-style-type: none"> <li>⊖ Full benefits not available day one</li> <li>⊖ Taxed on gains for LTC</li> <li>⊖ No care coordination</li> <li>⊖ No tax advantages for business owners</li> </ul>
<p><b>Reverse Mortgage</b> Long term care option for those with health and financial concerns. <b>Ideal for age 62 or older who have substantial equity in their home.</b></p>	<ul style="list-style-type: none"> <li>✔ No monthly mortgage payments - free up discretionary cash flow to pay LTC insurance or directly for care</li> <li>✔ You remain owner of the home. Can still sell your home at any time</li> <li>✔ Cannot be forced out of your home as long as taxes, insurance paid and upkeep maintained</li> </ul>	<ul style="list-style-type: none"> <li>⊖ Limited options under age 62</li> <li>⊖ Primary residence only</li> <li>⊖ Equity may not be available for next generation</li> </ul>
<p><b>Self Funding</b> Access to money now. No claims process. <b>Ideal for those who are skeptical of insurance.</b></p>	<ul style="list-style-type: none"> <li>✔ Retain liquidity and flexibility</li> <li>✔ No premium increase to worry about</li> <li>✔ Not paying for unused benefits</li> <li>✔ No claims process</li> </ul>	<ul style="list-style-type: none"> <li>⊖ Not a health care plan</li> <li>⊖ No care coordination benefit</li> <li>⊖ Tax timing consequences</li> <li>⊖ No insurance leverage</li> </ul>

## Questions to Consider

**What impact will the need for extended chronic care have on your income?** What will happen to your income should you or your spouse require extended care while one or both of you are still working? Relying on Medicaid to pay for long-term care means that you and your spouse will be subject to asset thresholds that can wipe out most of your retirement savings.

**What type of care do you prefer?** Do you want an option for home care? Would you want to be able to use less costly informal caregivers? How about the option to live in an upscale assisted living facility?

**What solution can you comfortably afford over the long term?** If you're considering long term care insurance, meaningful coverage can have many benefits. You might choose to purchase insurance and self-fund a portion of the risk.

# Is Long Term Care Insurance a Good Deal?

The premium you pay translates into an amount of risk that you are transferring to the insurance company. Many products may offer a greater pool of benefits that is much higher than self-funding alone. The diagram below shows a sample insurance multiplier compared to investing a similar dollar amount.

## Traditional LTCi

## VS

## Self Funding

Age 55-year-old couple, assuming LTC benefits start at age 85. Funding multiplier assumes 5% average annual return.

**\$544**

Joint Monthly Premium

**\$195,919**

Total Paid Premiums

**x 13.9**

Insurance Multiplier

**= \$2,722,069**

Total Reimbursable Tax-Free LTCi Maximum Benefits (combined benefits for the couple)

**\$544**

Monthly Funding

**\$195,919**

Total Funding

**x 2.3**

Funding Multiplier

**\$455,583**

Gains Tax → **(\$51,933)**

**= \$403,650**

Account Value