

Should You Buy Long-Term Care Insurance?

Long-term care (LTC) policies are indemnity policies—they pay a fixed dollar amount for each day you receive specified care in either a nursing home or at home. Qualified LTC premiums offer some tax perks as well—individuals can deduct amounts based on age and tax law, as part of their total medical expenses (exceeding 7.5% of adjusted gross income). More importantly, LTC benefits themselves have been clarified as tax-free income (just like health insurance benefits have always been).

Buyer Beware

Many experts recommend long-term care insurance for anyone with less than \$5 million in investment assets. But it is expensive. If it puts you at a real financial disadvantage to buy it, don't. Annual LTC premiums can range from \$900 to upwards of \$6,000 a year, depending on the age at which you purchase the policy and the benefits you choose.

Although the average age of a person buying LTC insurance today is around 65, the optimal age to purchase such a plan is actually in your late 50s to early 60s. When you're younger and in better health, the LTC rates are markedly cheaper and there are more choices of insurers and policies available.

Finally, make sure the insurance company you plan to use is creditworthy. Standard & Poor's and Moody's Investors Service—global providers of objective credit ratings, research and financial information—rate insurers on their ability to pay out on policyholder claims and obligations. Look for a financial strength rating of at least an A.

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