

How Long-Term Care Insurance Can Protect Your Inheritance | Money

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Long-term care bills can significantly deplete a planned inheritance, especially when someone needs nursing home, assisted living facility, or in-home care for multiple years and doesn't have a plan to pay for it.

[Long-term care insurance](#) isn't a small investment, nor is it the only way to prepare for these later-in-life costs. However, it can be a powerful tool for asset preservation, considering that policies can cover hundreds of thousands of dollars in care expenses. In terms of an inheritance, that can make the difference in whether an aging person can hold on to their home and pass it down to a loved one, for example.

According to the [American Association for Long-Term Care Insurance](#), at age 60, the average annual cost of a [long-term care insurance policy](#) with a \$165,000 benefit is \$1,200 for males and \$1,960 for females.

Some Americans take out policies in their 50s, typically getting a lower monthly cost by starting earlier. While long-term care insurance can be costly regardless of age, it provides valuable financial protection against the cost of long-term care, which can be astronomical.

Barb Pietrangelo, a financial planner at Prudential, says Americans often don't realize that nursing homes can cost \$10,000 per month and don't plan for it. According to the [Consumer Financial Protection Bureau](#), fewer than 1 in 10 older Americans have long-term care insurance.

Pietrangelo says it can be a good idea for her younger clients to sit down with their parents and discuss planning for long-term care expenses.

"To start a conversation with a parent, it's not necessarily to say, 'Hey, am I going to get a big inheritance?' But to say, 'Hey, how are you going to pay for care if and when you need it?'" Pietrangelo says.

[Can long-term care insurance for my parents protect my inheritance?](#)

While traditional long-term care insurance doesn't have any cash value in the case of a sudden death, it can save aging parents tens or even hundreds of thousands of dollars if they need prolonged care. In these cases, yes, the insurance can protect an inheritance.

However, policies vary dramatically. Differences include how long the insurance will pay for care, what the insurer covers, and whether the benefits increase over time with inflation.

A policy with a five-year benefit period, comprehensive coverage including home healthcare, and inflation protection will cost much more than a barebones policy with only a two-year benefit period. However, more affordable options may not cover the entire cost of long-term care, leaving the insured person's assets vulnerable. Just because your parents have coverage doesn't mean their assets are fully protected, so make sure you understand the policy details and limitations.

[Can I buy long-term care insurance for my parents?](#)

Pietrangelo says some of her clients pay for long-term care insurance for their parents, which means the child is the payor and the parent is the insured. Your parents must agree with this and sign the paperwork.

For some families, [combined life insurance and long-term care insurance policies](#) are more appealing than traditional long-term care insurance. With these hybrid policies, there's a total death benefit like standard [life insurance](#), but some of it can be used for long-term care, and that amount is subtracted from the death benefit. A child could pay for the insurance policy and be the beneficiary of the death benefit.

Janet Fox, president and LPL-affiliated financial consultant at ACH Investment Group, says having a family meeting with a financial professional can be worthwhile. During that meeting, families can review the parents' assets and whether long-term care or life insurance with long-term care coverage could be a smart tool to preserve them.

70% of people 65+ will require long-term care. A Long-Term Care Insurance policy makes the process easier by helping you pay for the care you need in your golden years.

[Who needs long-term care insurance and why?](#)

The best candidates for long-term care insurance are Americans with at least several hundred thousand dollars of assets but who aren't so wealthy that they can comfortably pay for care out of pocket.

Buying long-term care insurance may not be a good use of money for individuals with less wealth because Medicaid will step in to cover most nursing home or assisted living expenses once they qualify. However, depending on state rules, at-home care can be difficult to cover by Medicaid, so comprehensive long-term care insurance may provide more options for those who want to age at home.

On the other end of the spectrum, people with a net worth of several million dollars can expect to cover the cost of their care and still leave a nice inheritance. Some experts say long-term care insurance doesn't make much sense at higher wealth levels because insurance companies price their policies to make money. This means you'll likely pay more for your insurance coverage than you would for out-of-pocket expenses.

Middle class Americans are more likely to find value in a long-term care policy because they don't want to risk having hundreds of thousands of dollars in expenses.

But Tricia Mulcare, financial planner and principal at Homrich Berg, says long-term care insurance can still be a good buy for wealthier Americans, particularly for married couples.

It's often the case that a man's health deteriorates before his wife's due to men having a shorter life expectancy and being older at the time of marriage. Mulcare says long-term care insurance can alleviate the pressure on spouses (or children) who provide around-the-clock care at home.

Even if they have the money to pay for care for several years without long-term care insurance, it can be challenging for couples to accept that it's time for professional help, given how expensive it can be.