

A Unique Solution for Funding Long-Term Care Expenses

Presented by David M Weidmayer, CFP®

Do you have “money in motion”—specifically, CDs that will mature in the next few months? When the markets turned south in 2008, many people purchased CDs to help provide a financial safety net. As these CDs mature, most may simply renew them at the prevailing interest rate, which has been historically low for several years.

If you are using a CD as an emergency fund to pay for unexpected costs, including long-term care, it may be wise to consider repositioning this money to provide you with a more effective solution.

Rethinking your long-term care plan

Say, for example, that you have a \$100,000 CD to cover potential health care costs in the future. You could keep that CD, rolling it over as it matures and collecting the minimal interest you earn. With the average cost of long-term care now at \$75,000 per year¹, however, it’s unlikely that this strategy will be sufficient, especially as the cost of care is expected to rise.

Another strategy is to reposition that \$100,000 CD into a single-premium linked-benefit long-term care policy, which can provide:

- A leveraged pool of money for long-term care expenses
- A death benefit if long-term care is never needed
- A guaranteed return of premium if the policyholder changes his or her mind

Let’s look at an example of how this could work for a 60-year-old married woman using Pacific Life’s PremierCare linked-benefit policy:

- We reposition \$100,000 into this linked-benefit long-term care product.
- As of day one, \$325,000 will be available for long-term care expenses.
- At age 85, \$688,000 in long-term care benefits will be available (\$9,055 per month for 72 months).

Instead of a \$100,000 asset, this 60-year-old woman now has access to \$325,000, along with a death benefit for her heirs if she never needs long-term care. In 25 years, her long-term care pool will have grown to \$688,000. And if she changes her mind, she can have her initial premium returned to her at any time.*

If you’re interested in discussing how this strategy may be appropriate for your financial situation, please contact our office.

**This is a hypothetical example is for illustrative purposes only. No specific investments were used in this example. Actual results will vary. Past performance does not guarantee future results.*

¹ Genworth Cost of Care Survey 2013

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