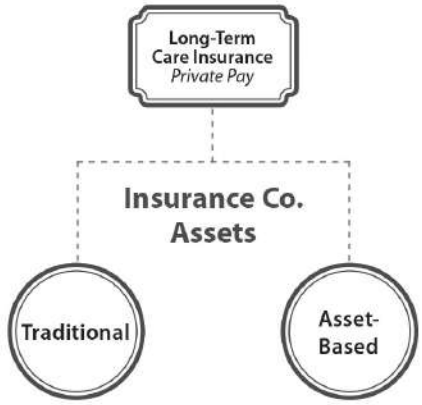
2) Long-Term Care Insurance



Second, your insurance company assets may include a long-term care (LTC) policy. There are two types of these policies: traditional and asset-based.

Traditional LTC Insurance

The goal of traditional long-term care insurance is to provide the policyholder access to care services then reimburse them the cost of those services. Traditional long-term care insurance policies only pay a benefit when you are no longer able to manage your own activities of daily living (ADL). These ADLs are boiled down to six major tasks: eating, bathing, getting dressed, toileting, transferring, and continence. If you can prove that you are unable to do at least two of these, then the policy will start paying the benefits.

It is suggested that you begin looking for this type of policy around age 50. Premiums for the policy vary based on age, and you should expect to be flexible with terms of the policy and premiums, as premiums will rise over time to account for healthcare cost inflation.

Take note that due to this type of inflation, you may be able to afford the premium between ages 50 and 60, but it may be too expensive to maintain once you reach 65 to 75. Your Financial Dashboard should factor in these rising premiums, and that result will dictate which type of policy is right for you, and whether or not traditional long-term care insurance is right for you at all.

Some may ask: Wouldn't it be smarter to simply save up the premium amount in an account so that it can be accessed when needed, and potentially go to heirs if the need for long-term care never arises? Apart from the practical issue that most people aren't disciplined enough to set aside the money and not touch it, the bigger issue is that you don't know when you might need it. If you haven't saved enough by the time you need access to the money, it would have been better to get the insurance company to foot the bill.

There are other things to note about long-term care policies: There can be a maximum amount paid per day, maximum number of paid days per year, and a lifetime maximum amount. Not all policies have adequate coverage, and policies offer additional benefit for extra fees. Also, certain variables may disqualify you from purchasing a policy, such as poor health or a preexisting diagnosis.

Asset-Based LTC Insurance

If you remain healthy for the rest of your life, and are one of the lucky few who simply never needs long-term care, then the premiums you have paid for traditional long-term care insurance will have had no benefit. If this doesn't sound like an acceptable risk to you, consider asset-based (hybrid) long-term care policies.

These policies start as either annuities or life insurance policies, both of which have death benefits that address the "use it or lose it" concern surrounding traditional policies. Should you simply go to sleep and not wake up, your heirs receive the death benefits so the premiums you pay do not simply vanish into thin air unused.

You determine the amount of money you would like to have to cover future long-term care costs, and the insurance company will present either an annuity or life insurance policy based on the sum. Riders added to the policy allow you to use the benefits as long-term care insurance should the need arise.

These policies tend to be very flexible, allowing various payment plans. Also, because the policies are a fixed benefit, you needn't worry about future premium increases. Asset-based policies are a good option if you are still working and have the disposable income to pay off the policy before retirement or have the funds to pay it off with a single premium.