



Hybrid Policies Offers Holders Flexibility

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Planning for your long-term care or a loved one's can be incredibly taxing. The evolution of hybrid policies can consolidate policies while presenting additional premium options to protect your loved one and their finances.

Planning for long-term health costs can give clients more control while reducing emotional and financial stress. Hybrid policies can simplify these options, offering quality coverage and additional premium options.

For years, many families insured the risk of a long-term care (LTC) event with a traditional LTC insurance policy. A traditional LTC policy is a "use-it-or-lose-it" form of coverage: This provides benefits only if the insured incurs a qualifying LTC event. In recent years, many carriers have discontinued new offerings of these plans and increased premiums on existing policies, leading many policyholders to re-evaluate their coverage and consider alternatives.

Hybrid policies can provide flexibility

Insurance carriers have introduced a variety of hybrid LTC plans that offer LTC benefits similar to traditional policies and a life insurance death benefit and cash value. In most cases, you pay premiums with a lump sum or over a limited number of years. Many plans offer guaranteed premiums as well. If you die without needing care, your heirs can receive a death benefit that may be worth slightly more than the amount you paid in premiums.

Example: A 60-year-old man could deposit \$100,000 into a hybrid policy and receive \$5,000 per month in long-term care benefits for up to five years, with benefits adjusted 3% for inflation. This option adds up to a \$318,500 benefit

pool that grows through time with the inflation adjustment. If he doesn't need care, his heirs could receive a \$120,000 death benefit reimbursing the initial deposit plus interest. Or he could pay \$11,835 per year for ten years for the same coverage, with no premiums after that.

Benefits

Certainty: The combination of LTC coverage and death benefits eliminates the use-it-or-lose-it nature of insurance products by ensuring that a benefit is provided.

Flexibility: Policy premiums can be paid in a single payment, over a specific duration, or throughout a lifetime.

Liquidity: Many policies offer riders that guarantee a 70-100% return of premiums.

Simplified underwriting: Many plans make this option available to those who may not otherwise qualify for traditional long-term care insurance.

Spousal protection: Policies can be issued jointly for spouses to share, with the death benefit provided at the last death.

Additional features: Inflation protection and zero-day elimination periods may be available.

Planning for Long-Term Care

Most people first learn about long-term care when they or a loved one require it. This circumstance may limit a family's choices by a lack of financial resources and time. LTC protection may be an attractive solution for you, especially if you have:

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- Available funds in short-term, liquid, low-yielding investments, e.g., cash, CDs, money market accounts, rather than in funds you intend to use for your retirement.
- A permanent life insurance policy that is no longer needed. One option is to use the cash value in an existing policy for a tax-free 1035 exchange into a hybrid policy.

Planning for long-term health costs can give clients more control while reducing emotional and financial stress.

For more information, [please contact your Key Private Bank Wealth Protection Strategist.](#)¹

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