

# Achieving Peace of Mind for the Family

## Traditional Long-Term Care Insurance

### MEET JAMES AND LINDA

James and Linda are planning for their retirement, and their portfolio is currently worth over \$750,000. They have a small mortgage and one child in college. Their attorney has recommended they purchase LTCI to protect their assets and ensure their child is not responsible for being a full-time caregiver.

Recently, Linda's mother passed away after requiring care for two years. She had COPD, a respiratory illness that required daily oxygen usage and frequent hospitalizations. Linda's mother required assistance with her activities of daily living in addition to transportation, housekeeping, cooking, cleaning, and grocery shopping. She did not have long-term care insurance, so Linda provided the majority of her mother's care in conjunction with a trusted neighbor.



### POLICY BENEFITS

 <p><b>Monthly Benefit</b> \$4,500</p>	 <p><b>Maximum Benefit</b> \$165,000 or 3 Years</p>
 <p><b>25% Cash Benefit</b> \$1,125/mo</p>	 <p><b>Elimination Period</b> 90 Days</p>



**Inflation Rider**  
3% Compound

### LTCI PREMIUMS

James is 56 and Linda is 55. James has been on high blood pressure medication for about 5 years, but his blood pressure is stable. Linda is not on any medications. James qualifies for the select/standard rate, while Linda qualifies for the preferred rate discount. James's annual premium is \$1,910, and Linda's is \$2,670, bringing their total annual premium to \$4,580. If Linda didn't qualify for the preferred rate discount, their premium would have been \$5,052. That's a savings of \$472 per year.

## 25 years Later

After 25 years, James requires care at the age of 81 due to a fall that left him with a broken pelvis and problems with his memory. During that time, he paid \$47,750 in LTCI premiums. Since James's policy had a 3% compound inflation rider, James's benefits are as follows:

<b>Monthly Benefit:</b>	\$9,148
<b>Maximum Benefit:</b>	\$335,411 or 3 Years
<b>25% Cash Benefit:</b>	\$2,287/month

At this time, the average cost of a home health aid is \$126,950 per year (about \$10,579 per month). Since James's policy will pay \$9,148 per month, he and Linda only need to cover \$1,431 per month. Linda uses James's LTCI benefits for a home health aide. He required care for 30 months, resulting in \$274,440 in total benefits used and \$42,930 in additional out-of-pocket costs. His family also had the option of using the cash benefit to provide care themselves.

Monthly Benefit:	\$9,148
Time in Care:	x 30 mo.
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<b>Total Benefits Used:</b>	<b>\$274,440</b>

Out-of-Pocket Cost:	\$1,431
Time in Care:	x 30 mo.
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<b>Total Out-of-Pocket Costs:</b>	<b>\$42,930</b>

Since James paid \$47,750 in LTCI premiums, transferring the risk to the insurance company saved him and his family over \$180,000 in out-of-pocket long-term care costs.

Total Benefits Used:	\$274,440
Total Premiums Paid:	- \$47,750
Total Out-of-Pocket Costs:	- \$42,930
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<b>Amount Saved:</b>	<b>\$183,760</b>

James's policy also qualified for state partnership protection. Therefore, in the event he exhausted his LTCI benefits and pursued Medicaid eligibility, he could retain additional assets beyond the \$2,000 allowance.

### PLANNING TIP



In order for a traditional LTCI policy to qualify for a state partnership program, it must be structured with an inflation rider. Be sure to discuss this with your client when exploring LTCI policy options.

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