

Are Policies that Combine Life Insurance and Long-Term Care Insurance a Good Value?

By Allen Hamm

The answer to this question is a resounding NO. These insurance policies are referred to by different names, including "Combination Policies," "Bundled Policies," or "Accelerated Death Benefit Policies."

The policy is usually a life insurance policy with an LTC insurance rider that can be used to pay for long-term care expenses. In other words, instead of having to die to receive benefits, the policy could pay benefits to cover the cost of the policyholder's long-term care expenses.

These policies are sold as a "gimmick" to people who refuse to pay for insurance coverage they may never use. The sales pitch emphasizes that the policyholder can own insurance coverage, and always be assured that a benefit will be paid. The agent tells the prospective buyer: "If long-term care is not needed, at least your beneficiary will receive benefits from the life insurance portion of the policy."

The sales pitch is enticing and the agent can make it seem so simple. But don't be fooled into believing you are getting something for free- insurance companies do not "give away" insurance. With this type of policy, you are actually paying for two types of insurance coverage, whether you need both types or not: life insurance and long-term care insurance. If you use the long-term care portion of the coverage, the life insurance coverage is reduced proportionately.

For example, if you bought a \$100,000 life insurance policy with an LTC insurance rider, and then collected \$75,000 for long-term care expenses, your beneficiary would collect only \$25,000 at your death. But you've paid a premium for \$100,000 in life insurance benefits, as well as a premium for the long-term care insurance benefit.

Ask your financial professional to advise you on each of your insurance needs separately. If life insurance is appropriate, then purchase the best life insurance value for your particular situation. If it's not appropriate, then don't purchase it at all. The same is true with LTC insurance. If it's appropriate, purchase the best value for your situation. And if it's not appropriate, don't purchase it at all. Never bundle one type of insurance coverage with another.