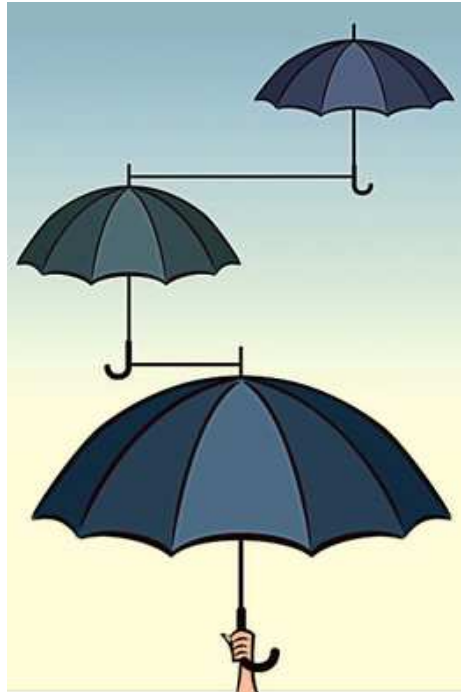


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FAMILY VALUE By Kelly Greene

New Strategies for Long-Term Care



Comments

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Effective January 1, 2010, the Pension Protection Act (PPA) of 2006 permits tax free distributions from various insurance products to pay for long term care insurance. In order to seize the opportunity, insurance companies have introduced ‘hybrid’ insurance products, like life insurance/long term care insurance and annuities/long term care insurance. But, just because they offer these hybrid products does not necessarily mean they are right for you. A traditional long term care insurance policy may still be the right solution. As is oftentimes the case with hybrid financial products, you end up with mediocre benefits all around.

PPA still allows for the identical tax benefits provided by hybrid products, when a traditional life insurance policy or traditional annuity pays your traditional long term care insurance premium.

One of the biggest differences between hybrid products and traditional long term care insurance products is the limited availability or complete lack of inflation protection in the hybrid products. Like all insurance designed to cover a rising cost benefit, the lack of inflation protection can leave you severely under-insured when you need the benefit. Unlike many traditional long term care insurance policies, the hybrid insurance products are not approved under Long Term Care Insurance Partnership Programs.

Most states' Long Term Care Partnership Programs allow long term care insurance policyholders to protect their assets from Medicaid on a Dollar for Dollar basis - for every dollar your policy pays in benefits, a dollar of assets is ignored by Medicaid. Some states, including New York, offer 100% Medicaid asset protection through Total Asset Protection – an unlimited amount of assets are ignored by Medicaid.

A healthy 50 year old husband and wife can each purchase a long term care insurance policy, which meets the requirements for 100% Medicaid asset protection offered through the New York State Partnership for Long Term Care, for about \$1,200 per year.

After tax benefits, the effective price drops to \$540 per year, as seen below.

Long Term Care Insurance Price	\$1,200
Less Federal Income 35% Tax Deduction Benefit	(\$420)
Less New York State 20% Tax Credit Benefit	(\$240)
Effective Price	\$540

This policy would cover over \$250,000 worth of care per person today or about \$1.1 million worth of care per person, when you are likely to use it at the age of 80. Even after 30 years of payments, each person's effective out of pocket cost is about \$16,000. This can be significantly less than the out of pocket investment for a hybrid product.

For those concerned about paying for insurance and not receiving any benefits, some traditional long term care insurance policies provide for a 100% return of premium (paid to your heirs) if you pass away without using your long term care benefits.

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