



Long Term Care University

Long Term Care University – Question of the Month

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Q: Some of the long term care insurance policies I am researching allow for a waiver of premium or joint waiver of premium benefit. Can you explain what that means and what advantages it may provide?

The Problem – Paying Your Premium While on Claim

Some long term care insurance policies are designed without a waiver of premium benefit. Unfortunately, while you are receiving care and your budget is pushed to the limit you will be required to make premium payments. Placed in this financial hardship, you may have to forego paying your policy and your policy could be cancelled. If your spouse is the primary wage earner and chooses to take time away from work to contribute towards your care, this too could create a financial hardship in paying for each person's policy.

The Solution – Waiver of Premium and Joint Waiver of Premium Benefit

Waiver of Premium. Some long term care insurance policies include or provide the option to add a waiver of premium benefit. **The insurance company waives the premium payments each month you are receiving care (as defined by the policy).** The waiver begins after you have satisfied the elimination period of the policy (if the policy has an elimination period). Most waiver of premium benefits apply to care you receive in a nursing facility, assisted living facility or in your home. When evaluating the waiver of premium benefit verify that the waiver applies to all three locations.

Pay close attention to what portion of the premium is waived. Ideally, the entire premium for the policy and all riders (attachments) will be waived. Some long term care insurance companies will refund a pro-rated portion of premiums paid in advance. So, if you pay your annual premium on January 1st and begin receiving care on July 1st, the insurance company will refund 50% of your annual premium (assuming you have met the elimination period).

The waiver of premium benefit can be a tremendous saving grace if your long term care expenses exceed the benefits provided by your long term care insurance policy.

Let's look at an example of the waiver of premium. Your budget allows you to pay your \$300 monthly long term care insurance premium. Unfortunately, you wind up needing care that exceeds your policy's benefits by \$300 per month. The waiver of premium benefit will allow you to stop paying your \$300 monthly premium – leaving you with a balanced budget.

Joint Waiver of Premium. Some long term care insurance policies include or provide the option to add a joint waiver of premium benefit. **The insurance company waives the premium payments each month you or your spouse or partner are receiving care (as defined by the policy).** The waivers begin after you or your spouse has satisfied the elimination period of the policy (if the policy has an elimination period).

The joint waiver of premium benefit can relieve you of one more financial obligation associated with your spouse's long term care expenses. Your spouse may be able to take more time off from work, knowing their premium payments will be waived – the same way your premium payments are waived.

Action Step – Protect Yourself with a Waiver of Premium or Joint Waiver of Premium Benefit

When you purchase a long term care insurance policy with a waiver of premium or a joint waiver of premium benefit you remove an important financial and psychological burden of long term care – the cost of the policy or policies when you receive care or your spouse receives care.

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