

Robin & Peter on LIFE SETTLEMENTS



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Life Settlements and Long-Term Care

While recently taking a continuing education course required for long-term care insurance licensing renewal, we were pleasantly surprised to find that life settlements were cited as a possible source of funds for long-term care expenses. Although we've taken these courses for many years to maintain our licenses, this was the first time that life settlements were mentioned by one of them. Not only was it covered in the course content, but 2 of the 25 test questions were on life settlements!

It is gratifying to see that life settlements are finally being acknowledged as a meaningful way to fund long-term care expenses. We've written about and suggested this for years. For a person requiring long-term care, especially with a chronic or terminal illness, a life settlement is certainly an option to be considered.

Normally, with a significant illness, the last thing a policy owner wants to do is give up a life insurance policy that is apt to pay a death benefit in the not too distant future. Any other source of funds, including borrowing, is likely to be a better choice than a life settlement because the ultimate life insurance death benefit has the potential to be much larger than the proceeds of a life settlement.

But in many long-term care and significant illness situations, there is no alternative source of funds. Sometimes waiting for the death of the insured is not possible when money is desperately needed in the here and now for medical and long-term care expenses.

According to the U.S. Department of Health and Human Services website, LongTermCare.gov, someone turning age 65 today has almost a 70% chance of needing some type of long-term care services.

Although many policies have accelerated death benefit riders, these riders are quite limited in how and when they can be used. Typically, accelerated death benefit riders

require the insured to have a life expectancy of less than 2 years. Therefore, a life settlement may be available when an accelerated death benefit rider is not.

In the long-term care context, producers need to make their clients aware of life settlements in two different situations: 1) when the client has an immediate need for cash and 2) when the client is seeking long-term care insurance, but does not qualify, an in-force life insurance policy may offer a future alternative via a life settlement. It's imperative that your client be cognizant that, if the need arises, a life settlement may be a solution.

Your clients count on you to be informed and to make recommendations that take their complete financial picture into account. Leaving life settlements out of the long-term care discussion may leave money on the table. As situations come up, be sure to give us a call. A life settlement can make a meaningful difference to both the one who needs the care and to the caregivers. Remember, it can't hurt to try – it can only hurt not to.

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