

How can I save on long-term care insurance?

Financial Planning

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The tips below will help you save money wisely, but don't rely on price alone.

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Key factors in choosing a policy

Company financial stability - Because you may not collect for decades to come, be sure to buy from a company that has been around for some time and is financially stable. You may want to look up, from an independent rating agency, the financial strength ratings of a company you're considering.

Percentage of income - Keep the premium for your long-term care insurance policy to 7 percent of your income, or less. For example, if your monthly income is \$4,000, the long-term care insurance premium should not be more than \$280 per month. (This is what the National Association of Insurance Commissioners recommends in its Model Regulation for Long-Term Care Insurance.) Another expert advises that the income to use in this calculation isn't your current income, but your expected income in retirement, since that's the income from which you'll be paying premiums for most of the policy's existence.

Other ways of saving

- 1.** Find out if long-term care benefits are available through a group policy from your employer. Employers might subsidize the cost, lowering what you must pay.
- 2.** Check whether you can add long-term care benefits as a rider on an existing life insurance or annuity policy. These “combination” arrangements can save because the insurance company gains operational savings that it can pass along to you.
- 3.** Buy a policy with the longest waiting period you can afford. For example, choosing a 90-day period instead of a 30-day period can cut the premium by 30%. However, if you do need long-term care services, you should save some money to pay these costs until the waiting period ends.
- 4.** If both spouses of a married couple are considering buying long-term care policies, look into buying one joint policy for both of you. Such a policy pays when either one needs care and can pay for both, if necessary, up to its benefit limits.
- 5.** If you’re still looking to trim the premium further, consider buying a policy that will pay most, but not all, of the average nursing home costs in your area. For example, if a nursing home room now costs \$120 per day, buy a policy that pays \$100 per day. However, be sure to buy an inflation-protection provision.
- 6.** Check with several companies and agents, comparing both benefits and costs. As with other types of insurance (and many other purchases), comparison shopping can save you money. Just be sure you’re comparing policies with similar provisions and companies with comparable financial strength and service records.

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