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YOUR STRATEGY RETIRING

Insurance changes for long-term care

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Insurance shopping is being transformed as new legislation spurs companies to offer more combination products that link life insurance and annuities with long-term-care coverage.

The Pension Protection Act of 2006, signed into law last month, allows annuity providers to offer long-term-care riders and ensures that charges against annuities and permanent life insurance policies for long-term-care insurance premiums aren't taxed.

The provision takes effect in 2010 but already insurers are scrambling to design new combination products aimed at spurring sales of long-term-care policies, which have been slow catching on with consumers because many think they will never need nursing-home or assisted-living care.

By adding a long-term-care provision onto another policy, consumers may be more likely to think they'll use one or the other and thus be more inclined to consider the deal a good value, industry officials said.

Combination policies now available are essentially permanent insurance policies with accelerated death benefits. Policy owners pay for the life insurance, but can draw down -- or accelerate -- the accumulated cash value for long-term care if it becomes needed.

You will pay more for a permanent life insurance policy that has an accelerated death benefit than you would for stand-alone term and long-term-care policies, but that flexibility of a combined product with one premium may be worth it for some.

In any long-term-care policy, consumers need to look for flexible benefits, such as the ability to use funds at either nursing homes or for home health care, said Phyllis Shelton, president of LTC Consultants in Nashville, Tenn., and author of Long-Term Care: Your Financial Planning Guide (Kensington Publishing Corp., $16).

It's also vital to make sure your policy has a 5 percent compound inflation protection, she said.

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