**Hybrid Long Term Care Policies**

The public’s need for some form of LTCi has never been greater. The price for long-term care services is extraordinary; $77,000 a year (national average) for a room in a qualified care facility and increasing yearly. In addition, our recession-depleted retirement accounts and the low interest rate environment have hindered our ability to self-insure.

One new solution is life and annuity products with linked LTCi benefits, also known as ‘Combo’ or ‘Hybrid’ products. There is currently renewed demand for these products due to a new tax law that went into effect January 1, 2010. The new law says money withdrawn from certain annuities and life insurance products for the purpose of funding long-term care costs can no longer be taxed as income.

**What’s a ‘Hybrid Product’?**

For the purposes of this paper, we are combining a variety of products under the label ‘Hybrid.’ These include life and annuity products with LTCi benefits built right in to the product or available as an LTC rider.

**What Has Changed?**

**Tax Laws**

The Pension Protection Act, passed in 2006, included a provision that makes withdrawals from non-qualified annuities or life contracts tax-free if the proceeds are used to pay for long-term care services. The new tax treatment took effect January 1st, 2010.

**Product Design**

Several insurers have introduced new products designed to help consumers take advantage of the new tax law. These new products allow clients to reposition their retirement dollars to work more effectively for them. You can buy a linked-benefit life product that offers both a death benefit and long term care benefits if they get sick. Like traditional LTCI, these products help prevent you from becoming burdens on your family both in life and in death.

**Hybrid Products Breakdown**

**Annuity Hybrids**

Annuity hybrids have several design variations. From something as simple as a rider that pays out a certain percentage of the account value when the policyholder has a qualifying LTC need, to products that basically combine a fixed deferred annuity and long-term care under one contract.

To varying degrees these products essentially allow the consumer to get double-duty from their retirement dollars, using them to build cash value tax-deferred and, if needed, fund their long-term care need.

**Life-LTCi Hybrids**

Similar to annuity hybrids, there are a number of different ways to package LTC benefits with life insurance. There are fully underwritten products that provide the most death benefit and LTC benefit options. Payment options are single pay or continuous pay.

**Hybrid Advantages**

With a hybrid, money not used for LTCi can be taken as income or as a death benefit.

.