Hybrid Insurance

NORTH STAR Advisory Group LLC An Independent Firm

Policies which cover you while you're living and after

Hybrid life insurance plans combine long-term care insurance and whole life insurance under a single policy. These plans, also known as "asset-based" life insurance, allow policyholders to coordinate their retirement planning and financial safeguards. The long-term care insurance component protects financial assets from being drained by long-term care expenses, while the whole life insurance component adds an important retirement asset and funds for the beneficiaries.

The basics

Long-term care insurance covers the high costs of nursing home care or at-home skilled nursing care if the policyholder no longer can care for himself. Such care is not covered by Medicare and is covered by Medicaid only if your assets are severely depleted.

One drawback that discourages many from buying long-term care insurance in the first place is the fact that, if they never need this kind of care, they've essentially wasted the premiums. A hybrid policy combines long-term care insurance with life insurance. So, if you never need the long-term care benefits, you'll at least be able to leave a legacy for your loved ones.

The basic structure of a hybrid plan can take one of a few different forms. Someone can buy a comprehensive hybrid policy that combines both long-term care insurance and whole life insurance. Some companies let you buy a basic permanent life insurance policy and then add a long-term care insurance rider for an additional cost. Several companies offer a rider that lets you use as much of the policy's death benefit as you need for long-term care, should you need it. Keep in mind that using the policy's benefits for long-term care will reduce the amount available to your beneficiaries upon your death.

The coverage level for long-term care and the death benefit can differ. The policyholder might, for example, purchase a policy that offers $200,000 in whole life insurance and $400,000 in long-term care coverage, according to AALTCI. The policy offers a higher limit for long-term care coverage, but the whole life death benefit begins to dwindle as soon as long-term care benefits are paid out.

Another type of hybrid insurance pairs long-term care coverage with an annuity, rather than with whole life insurance. Buying an annuity is basically making a contract with an insurer. You pay premiums, the money is invested, and you receive a guaranteed payment in the future while you're living. For retirees who may need the money more than their beneficiaries would, this may be an attractive option. However, only a few companies offer this type of policy.

Payments

Hybrid insurance policies can be paid for just like other life insurance policies via regularly scheduled premiums. Or a policyholder can pay one large lump sum upfront.

Earn discounts for healthy living

A few of the companies even provide discounts for making healthy living choices. Discounts can be earned through education, fitness and prevention. Earn points by simply completly one of the many activities. The more points you earn, the higher your discount. Living healthy can be the key to greater savings and rewards!

Pros and cons

The idea of a single policy insuring two risks seems attractive and hybrid policies may convince many who otherwise wouldn't to buy long-term care insurance. However, hybrid life insurance may not do a thorough job of covering both risks if both happen to occur. If you need to cover years of long-term care expenses as well as leave a death benefit for your loved ones, for example. Using the policy's benefits to cover several years in a nursing home could drain it, leaving no death benefit.

Moreover, adding a long-term care insurance rider to a life insurance policy costs extra. Your premiums still would likely be less than they would be if you bought separate long-term care insurance and life insurance policies. But, that savings would be small.

Where do we go from here?

1. Do it yourself: figure out what kind of insurance is right then go online and find the right company.

2. Let us help: Finding the right combination of polices and features can be complicated requiring education and time. North Star can help you sort through the various features and benefits offered from the various companies.

Contact us today to get started!
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Life insurance policies have exclusions and/or limitations. The cost and availability of life insurance depend on factors such as age, health and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition if a policy is surrendered prematurely, there may be surrender charges and income tax implications. Guarantees are based on the claims paying ability of the insurance company. While a contract owner may benefit from tax deferral under an IRA or other qualified plan without the use of an annuity contract, annuities may provide additional investment and insurance or annuity benefits to individual contract owners. The tax treatment may not be important for purchasers using the contract in connection with certain qualified plans. A fixed annuity is a long-term, tax-deferred insurance contract designed for retirement. It allows you to create a fixed stream of income through a process called annuitization and also provides a fixed rate of return based on the terms of the contract. Fixed annuities have limitations. Please read the contract carefully before investing. Guarantees are based on the claims paying ability of the issuing company.

With fixed and variable annuities, any withdrawals may be subject to income taxes and, prior to age 59 1/2, a 10% federal penalty tax may apply. Withdrawals from annuities will affect both the account value and the death benefit. In a variable annuity, the investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. An annual contingent deferred sales charge (CDSC) may apply. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information.