5 Client Objections to LTCi

(and how asset-based products overcome them)

[The Following Excerpt is Reprinted from "*10 Client Objections to LTCi and How Asset-Based Products Overcome Them*" by Michelle Prather]

Only about 13 percent of individuals in the U.S. carry some form of long-term care insurance (LTCi), according to 2014 research by the Center for Retirement Research (CRR) at Boston College. There are two important conclusions for financial professionals to draw from that statistic:

First, there's a clear disconnect between facts that suggest a genuine need for some kind of long term care (LTC) protection and the willingness of consumers to acknowledge that need by actually investing in such a product. At least 70 percent of people over 65 will need some form of long-term care services and support at some point in their lifetime, according to longtermcare.gov, a U.S. government website, while an estimated 58 percent of women and 44 percent of men will need nursing home care at or after age 65, according to the CRR report. And the cost of that care is rising steadily. Yet just 16 percent of Americans age 40 and older report doing "a great deal" or "quite a bit" of planning for their long-term care needs; 65 percent report doing very little such planning or no planning at all, the Associated Press and NORC Center for Public Affairs Research found in a report jointly issued by the two organizations in 2014.

Second, there's great opportunity for financial professionals to help clients meet this glaring need for LTC protection—and bolster their own revenue in the process—if they can bridge that disconnect by convincing clients of the wisdom of investing in a some form of long-term care product. The sheer size of the Baby Boomer and X generations points to a huge growth opportunity for financial professionals in a vastly underpenetrated market.

Most of the objections an advisor is likely to encounter from a client during a long-term care discussion apply to traditional LTCi, but many of these can be overcome with other products, such as asset-based long-term care products. Tapping that underpenetrated market and taking advantage of that opportunity require an ability to counter objections and misinformation with facts. Here's a look at the most common client objections about long-term care insurance, and how asset-based LI+LTC benefits and annuity+LTC benefits serve as the antidote to those objections.

1. Objection: I'll lose it if I don't use it.
"Why should I pay for something I may not need?"is the objection financial professionals hear most often when discussing LTCi products with their clients, according to a 2015 OneAmerica survey of financial professionals. That concern becomes a non-issue with asset-based LTC products, which are guaranteed to provide either a long-term care benefit while the policyholder is alive or a death benefit that passes to beneficiaries tax-free if the policyholder never uses the LTC benefit.

2. Objection: The product is too complicated to understand.
Asset-based products are no more difficult to grasp or to explain to clients than most traditional LTCi products. "Asset-based long-term care products are built on some of the simplest financial vehicles out there: whole life insurance and the fixed index deferred annuity," said Chris Coudret, CLU, ChFC, Vice President & Chief Distribution Officer for Care Solutions.

3. Objection: I don't want another insurance policy. I want an asset on my balance sheet that has the potential to grow over time.
Because asset-based products are built on a life insurance or annuity chassis, their account or cash value may grow over time. Thus the value inside the contract is an asset that remains available to the client, and can be passed to beneficiaries if not used for LTC needs. In the case of life insurance, the proceeds can even pass income tax-free. "You're getting an asset in an insurance product that serves the dual purposes of life insurance and protection from a long-term care event," said Dennis Martin, FSA, FCIA, MAAA, Vice President, Senior Business & Product Development Officer, OneAmerica companies.

4. Objection: I'm worried about inflation eroding the protective power of my LTCi investment.
Asset-based LI+LTC products can be purchased with an optional inflation-protection feature. Many observers expect prevailing low inflation rates to increase in the years ahead, which would bolster the value of such a feature.

5. I'm concerned I'll have to pay taxes on the money I withdraw to cover the cost of a long-term care event.
Withdrawals from asset-based LTC products for qualifying long-term care expenses are income tax-free if the contract is funded with after-tax dollars.