How to Reduce Long Term Care Insurance Premiums:

The need for long term care is increasing and the cost of care can be a substantial portion of a retiree's income and savings. Those that have experience taking care of an elderly parent are cognizant of the financial cost and emotional stress born on the primary caregiver. While the concept of long-term care insurance is appealing, the cost can deter obtaining it. There are several ways to defray the net out of pocket cost of premiums, which aren't widely publicized. This can drive the net insurance cost low enough to persuade those focused on cost to purchase. Below are several strategies to keep in mind:

Personal

1. The cash value of a currently owned permanent life insurance policy can be transferred to purchase LTCi. A 1035 exchange allows for this nontaxable transfer. Benefits from long term care policies are distributed tax free. This turns a death benefit into a living benefit. Insurance portfolios should be analyzed often, as over time the cash value and death benefit increase in value. This appreciation is welcome, but the gains sitting in an insurance policy might be better served deployed elsewhere.
2. Health Savings Account (HSA): The premiums subject to age limitations can be paid from a HSA account. HSA accounts are used in combination with high deductible health plans. Contributions to HSA accounts are made pretax, they grow tax-free and when withdrawn are tax free. Since premiums for LTCi can be made over several years, changing to a high deductible health care plan and an HSA might be financially advantageous.
3. Itemized tax deductions: Premiums are deductible as a medical expense to the extent that your total medical expenses exceed 7.5% of your AGI. The amount that can be deducted for long term care is age dependent, based on IRS limits that are higher for older taxpayers.

Business

1. Entities taxed as a C-Corporation can provide Long Term Care Insurance to its employees and it is treated as an accident and health benefit plan. Employer paid premiums are deductible for the employer, and age deduction limitations do not apply. The insurance can include spouses and dependents.
2. Self-employed: Premiums are deducted subject to the IRS age.
3. S-Corp/LLC/Partnership: Employer paid premium for owners and spouses are deductible from gross income. The premiums paid for non-owners follow the rules of the C-corp.

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