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Inflation Protection Increases the Value of LTCI Benefits by Chelsea Andrews

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Except for policies that comply with the Partnership Program, a long term care insurance inflation protection is not compulsory in other types of long term care insurance (LTCI) policies. Despite this, buyers are encouraged to avail this rider in order to keep their benefits at pace with inflation.

Every year the cost of care increases 5% and without an inflation protection integrated into your LTCI policy, you run the risk of paying a bigger amount of your future long term expenses out-of-pocket. Thatâ€™s because the total amount of your benefits is only as good as the cost of care at the time you purchased your policy.

Inflation protection prepares you for tomorrowâ€™s cost of care because based on the prediction of financial planners and LTC specialists, LTC costs will double 14 years down the road and quadruple subsequently in 2030. To illustrate this, a nursing home which has an average annual rate of $82,000 will cost $164,000 and $328,000 in 2025 and 2030, respectively.

Now before you tell the world that youâ€™re expecting an inheritance worth $1,000,000 from your great granduncle in 2030, donâ€™t forget that your LTC expenses are just going to be an addition to your total daily expenses.

Nobody stopped eating, shopping, and paying the bills when he qualified for LTC. Simply put, LTC expenses will increase your financial burden so you better start working out a good LTC plan if you donâ€™t want your assets to end up in estate recovery.

Choices for Long Term Care Insurance Inflation Protection

Purchasing an inflation protection rider for your policy will increase your premium but the rewards that you will reap in the future are far greater than the small dollar amount that you have to pay out right now.

Whatâ€™s more, as your policyâ€™s maximum benefit amount increases each year your premium will remain the same. Premiums of LTCI policies donâ€™t increase along with the amount of the benefits. The only time these go up is when the insurer requests a premium increase for an entire class of policyholders from the state.

There are six general types of inflation protection riders which you may choose from and these are the following:

â€¢ 5% Compound Inflation Protection

â€¢ 5% Simple or Equal Inflation Protection

â€¢ Future Purchase Option

â€¢ Consumer Price Index (CPI)

â€¢ 3% Compound Inflation Protection

â€¢ 4% Compound Inflation Protection

With a simple inflation protection rider, your benefits increase by a fixed dollar amount annually while a compound inflation protection will increase your benefits by a higher dollar amount every year.

Those who are having second thoughts about purchasing this kind of rider are considering the Future Purchase Option. This is not a very good option because it is only offered every three years. So if you turn down what has been offered to you this year, you might not have the opportunity to get the same offer in the future again.

Long term care insurance inflation protection is definitely an important aspect of your policy. To get a lengthier explanation on how this can increase your policyâ€™s benefits over time, contact a licensed LTCI agent who is works with the countryâ€™s top LTCI carriers.

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