Kinds of Inflation Protection Riders That You Should Know by Chelsea Andrews

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Long term care insurance inflation protection riders may be optional but if you seriously want to be financially secured in the future you would consider integrating one of these into your policy.

It is only with inflation protection that the benefits of your long term care insurance (LTCI) policy can actually keep up with inflation. This term inflation, by the way, is a constant thing in life so donâ€™t rationalize prices may stay flat this year or in the next. Truth is, the costs of medical and personal care have reportedly increased more than 3% in the previous year so just imagine the value of a policy without inflation protection 20 or 40 years down the road.

Inflation protection will increase the maximum daily or monthly benefit amount of your policy on a yearly basis. Keep in mind that itâ€™s only your insurance benefits that will go up annually with an inflation protection rider, not your annual premium as what some people suspect and thus their refusal to purchase this important LTCI rider.

Now your benefit increase will depend on your choice of inflation protection. Here below are some of your options:

â€¢ Simple Inflation Protection â€“ If you are going to purchase this your initial maximum daily or monthly benefit amount will increase by a fixed dollar amount each year.

â€¢ 5% Compound Inflation Protection â€“ Your LTCI policyâ€™s benefits will increase by a higher dollar amount as your compounded initial benefit amount will grow by a certain percentage every year. In a span of 10 years, your maximum daily benefit amount of $210 will be $420.

â€¢ Future Purchase Option â€“ This is designed for people who have not yet decided whether to get an inflation protection for their policy or not. It is only offered every three years so if you turn it down this year, you may not get the same offer again. On the other hand, if you accept the inflation protection that has been offered to you, your new premium rate shall be based on your present age and not your age at the time that you purchased your policy.

Higher Out-of-Pocket Costs Without Long Term Care Insurance Inflation Protection

If you still opt not to purchase an inflation protection despite this discussion that is your prerogative. In fact, nobody else has a say in your policy but yourself so you can choose to do away with an inflation protection but you have to be ready to deal with higher out-of-pocket costs.

Although an LTCI policy should serve as a hedge against LTC costs, the amount of your benefits is only as good as the cost of care before inflation took place.

For example, at the age of 46 you bought a policy with a maximum daily benefit amount of $230 and you decided an inflation protection rider wonâ€™t be necessary. At the age of 67, you qualified for LTC as you acquired a chronic illness and needed nursing home care. Unfortunately, a nursing homeâ€™s daily rate is $832 while your insurer is only capable of paying out $230 so that leaves you to cover the excess amount of $602.

You may disregard other LTCI riders but do not skimp with long term care insurance inflation protection as the future value of your policyâ€™s benefits will greatly depend on this.

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Chelsea Andrews - About Author:
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