

Understanding Long-Term Care Insurance: Insights for Advising Your Clients

One way to manage long-term care risk is through a dedicated insurance policy. Long-term care insurance (LTCI) covers care at home or in assisted living, memory care, or nursing facilities—services that standard health insurance and Medicare do not typically pay for.

Although roughly 70 percent of people turning 65 will need some form of long-term care services in their remaining years, fewer than 5 percent of Americans aged 50 and older currently hold an LTCI policy.¹ Why is the uptake so low?

Given the high potential costs of LTC, a policy may seem like an obvious solution. Yet the contraction of the LTCI market over recent decades highlights that it is a targeted planning tool. For advisors, therefore, it becomes important to identify which clients are appropriate candidates for LTCI and under what circumstances.

What to Know About LTCI: An Advisor's Primer

Two major factors tell the story of LTCI over the years: price and complexity.

Long-term care insurance was created to bridge the gap left by Medicare for extended custodial care. Introduced in the late 1970s and 1980s in response to rising nursing home costs, LTCI later expanded to include home health and assisted living coverage.

Despite its original mass-market intent, the availability of traditional LTCI has shrunk dramatically, reflecting higher premiums, tighter underwriting, and fewer standalone offerings. Meanwhile, hybrid products have gained traction.

Advisors should be aware of five key trends:

- **Decline of traditional LTCI.** Most insurers have stopped selling standalone LTCI due to high costs and pricing challenges, prompting carriers to raise premiums or exit the market.²
- **Growth of hybrid or linked-benefit products.** Combination life/LTC products now dominate the market,³ offering dual value: care protection and a death benefit. These products may appeal more to younger clients, especially family caregivers.
- **Premiums and underwriting constraints.** Conservative pricing and stricter health requirements make eligibility and long-term affordability central planning considerations.
- **Coverage gaps.** Many policies, especially older or narrowly designed ones, do not cover all the care clients may expect, leading to potential out-of-pocket expenses.

¹ Janet Weiner, *Reforming Long-Term Care Policy: Lessons from the Past, Imperatives for the Future*, Penn LDI (Dec. 4, 2025), <https://ldi.upenn.edu/our-work/research-updates/reforming-long-term-care-policy>.

² LIMRA, *Hybrid Insurance on the Rise: A New Era for Long-Term Care Protection: LIMRA/EY US Individual Life Combination LTC Survey 2 (2025)*, <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/insights/insurance/documents/ey-hybrid-insurance-on-the-rise-a-new-era-for-long-term-care-protection.pdf>.

³ *Is Life Insurance the Answer to the Growing Long-Term Care Need in the U.S.?*, LIMRA (Aug. 28, 2025), <https://www.limra.com/en/newsroom/industry-trends/2025/is-life-insurance-the-answer-to-the-growing-long-term-care-need-in-the-u.s.>

- **Increased product complexity.** Modern LTCI products vary widely in structure, benefits, and cost, meaning that advisors must understand differences and not assume policy parity.

These trends underscore that LTCI is a strategic planning tool, not a default solution that applies to every situation. It can complement trusts and other asset protection strategies, helping preserve wealth and reduce care-related stress for clients and their families. It is not a planning panacea for every client, however, and should be evaluated case by case.

Who May Benefit from LTCI

LTCI may be worth evaluating for a client in the following circumstances:

- Has meaningful savings to protect from the high costs of prolonged medical assistance
- Wishes to preserve their estate for heirs rather than liquidating assets for healthcare
- Wants to guarantee that one spouse's health crisis does not ruin the financial security of the other
- Aims to keep their overall retirement and investment plans running smoothly without interruption
- Is healthy enough to secure an insurance policy and financially stable enough to pay the premiums over the long term

Who May Not Benefit from LTCI

LTCI may be less appropriate for a client in the following circumstances:

- Has limited income to support the burden of continuous, multiyear premiums
- Is actively positioning their assets to qualify for Medicaid and other public support
- Has already secured their estate through dedicated self-funding methods or trusts
- Cannot pass strict medical evaluations or cannot afford the high premiums associated with their current health status
- Prioritizes immediate financial freedom over dedicating funds to a future insurance benefit

LTCI Considerations for Advisors

Once suitability is identified, advisors must evaluate policy design in light of the client's estate documents, asset structure, and retirement income strategy.⁴ These are some key areas to evaluate:

- **Premium cost versus opportunity cost.** Do projected premiums justify the expected benefit relative to alternative uses of capital or liquidity needs?
- **Benefit duration.** Does the policy's benefit period align with realistic care timelines, including the possibility of multiyear or indefinite dependency?
- **Inflation protection.** Will benefits retain purchasing power over time? What if care is needed decades from now at rates far above today's assumptions?

⁴ *What Features of Long-Term Care Policies Should I Focus On?*, Ins. Info. Inst., <https://www.iii.org/article/what-features-long-term-care-policies-should-i-focus> (last visited Mar. 31, 2026).

- **Elimination periods.** Can the client comfortably self-fund care during waiting periods before benefits begin?
- **Policy flexibility and structure.** Are benefit triggers, daily or monthly caps, and covered care settings aligned with how the client would realistically receive (or prefer to receive) care?
- **Family dynamics.** Can dedicated funding reduce stress on spouses or children who may face caregiving or financial decision-making pressure?
- **Ongoing review.** As health needs, markets, and family circumstances evolve, does the policy remain aligned with the client's estate and retirement objectives?
- **Coordination with legal planning.** Does the policy complement existing trusts, powers of attorney, and asset protection strategies without duplicating or conflicting with them?

Building Long-Term Partnerships for Clients' Long-Term Care

Long-term care is becoming an increasingly common reality as Americans live longer and retirement timelines extend past what many originally anticipated.

Changes in the LTCI market have introduced new products that can help address gaps in Medicare coverage and reduce reliance on family caregivers. But these solutions are not perfect and are far from one-size-fits-all.

Whether LTCI is right for a client comes down to careful analysis within the broader context of their financial, retirement, and estate plans. By approaching long-term care planning with a long-term perspective, advisors reinforce that they are at their clients' side throughout the aging and retirement journey—whatever path it may take and whatever solutions it ultimately demands.