

Reframing LTC Planning for High-Net-Worth Clients

Many high-net-worth clients approach long-term care planning with the mindset: “If I ever need it, I’ll just pay for it out of pocket.” On the surface, that seems reasonable — after all, they have the means to cover care costs. But this approach can introduce unnecessary financial risk and inefficiency into their broader wealth strategy.

Let’s take the example of a 60-year-old male client with a net worth of \$5 million. He plans to “self-fund” any future long-term care needs by drawing from his investment portfolio or liquidating real estate. But there’s a smarter option: reallocating a portion of that wealth into a hybrid long-term care policy

A Smarter Use of Client Capital

Let’s take a closer look at what this strategy might look like for a typical client:

- Client Profile: 60-year-old male in good health
- Net Worth: \$5 million
- Strategy: Reallocates 5% of assets (\$250,000) into a hybrid LTC policy
- Result: Gains \$2.2 million in tax-free long-term care protection and a substantial death benefit of over \$1 million by age 85

Why this works better than self-funding:

- Leverage – The LTC benefit far exceeds the initial investment. Self-funding requires spending down assets dollar-for-dollar.
- Tax Efficiency – Policy benefits are generally received income-tax free, unlike selling appreciated assets or using IRA withdrawals.
- Preservation of Estate – The death benefit component restores or even enhances the legacy passed on to beneficiaries.
- Peace of Mind – The client locks in care coverage now, rather than risking insurability issues later.
- Predictability – Instead of uncertain care costs and unpredictable market conditions, they’ve turned LTC planning into a fixed, guaranteed component of their financial plan.

Even if the client never uses a dollar of LTC benefit, the death benefit ensures the policy still delivers value — turning what might otherwise be viewed as a “wasted” premium into a purposeful transfer of wealth.

For clients with the assets to self-fund, hybrid LTC isn’t about affordability — it’s about financial optimization. By reallocating a small portion of their portfolio, they can secure substantial protection, gain tax advantages, and better protect both their lifestyle and their legacy.