

Long-Term Disability vs. Long-Term Care Insurance: What's the Difference?

By Paula R. Taylor, MA

Few of us can imagine an accident or disability that would result in our spending the rest of our life in a wheelchair. Most of us are convinced that we'll enter old age spry and capable and will never see the inside of a nursing home. Statistics indicate that one out of two of us will be disabled and in need of care, at some point in life. However, few of us have taken the steps necessary to protect our lifestyle, retirement and assets.

Why? Denial, misinformation and confusion are among the reasons. Illness, accidents and aging are facts of life. We can reduce their financial and emotional impact by transferring some of the risk associated with them.

Two types of insurance address disability – Long Term Disability (LTD) insurance and Long Term Care (LTC) insurance. Each focuses on different needs and pays different benefits; yet, they are often confused.

Long Term Disability insurance (LTDi) addresses income, the money you are earning today and expect to earn in the future. LTD insurance protects against loss of income should you be unable to work due to illness or injury. It helps you pay your fixed expenses and protect your savings, by paying you a percentage of your income for a specified time while you are disabled.

Long Term Care insurance (LTCi), by contrast, pays for assistance you need if you cannot perform activities of daily living due to illness or disability or if you are cognitively impaired. Your health insurance does not pay for this care and Medicare coverage is limited. LTC insurance benefits are not tied to your income. LTC insurance helps you protect your retirement savings, assets and estate; sources you would tap to pay for needed care.

LTC insurance is not just for seniors. Forty-four percent of Americans who need some type of long term care are working adults under 64. The average cost of this care in California today is \$5,400 a month. In some areas, the cost can be higher.

When it comes to Long Term Disability insurance, occupation and health are the most important factors for eligibility.

Health is the critical factor in qualifying for Long Term Care insurance. Current and past health histories are reviewed. Since LTC insurance is concerned with lingering disability not death, medical conditions that would disqualify you for life insurance, for example, are often acceptable for LTC insurance.

It makes sense to be covered by both LTD and LTC insurance. However, that is not always possible, practical or affordable. Long Term Disability and Long Term Care insurance have different eligibility requirements to obtain the insurance and different triggers to receive benefits. If both are not feasible, you may be able to handle some of your household expenses by choosing a Long Term Care policy that offers a cash benefit. It is always a good idea to work with someone who can compare the policies offered by different carriers so you can find that one that addresses your specific needs. Analyze your own situation along with your financial advisors and determine what is best for you.

How would you pay your bills if your income stopped tomorrow? How long would it take you to run through your savings? Do not let denial, misinformation or confusion prevent you from protecting your lifestyle, assets and legacy. Get the facts and make an informed decision about the quality of your health care and your financial future.

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Contact her at 510.763.5002 or 800.303.1103 for additional information and to receive your free copy of the book, *Dignity for Life: 5 Things You Should Know Before Considering Long Term Care Insurance*, co-authored by Paula Taylor.

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