NEW LONG-TERM CARE insurance policy premiums are higher than they have been in the past, but financial experts agree that everyone, including the very wealthy, should consider buying coverage. Although most people who purchase long term care insurance purchase because they don't want to be a burden on their family, most of us did not save and invest just to pass on our life savings to a nursing home. Those who do buy a plan may be able, at some point in time, to save on tax dollars. Purchasing long-term care insurance is one of the few ways the IRS will let you deduct the cost for future care in the current tax year.

Premiums may be deductible. The greatest tax benefit of these policies is that premiums are deductible as a health expense. However, the deduction will not be a benefit unless one itemizes deductions and health care expenses exceed a specified percentage of one's income. As of 2020 that deduction threshold was 10%. In the past, it has been lower. The bottom line is that your total health expense deductions must exceed the IRS percentage. One more limitation is how much premium you can deduct to reach that threshold is limited by your age. It changes every year. The limits in 2020 are:

There is a cap on how much can be deducted based upon the policyholder's age. For 2020, the limits are as follows:

- *Age 40 or younger: $430*
- *Ages 41-50: $810*
- *Ages 51-60: $1630*
- *Ages 61-70: $4350*
- *Ages 71 and older: $5430*

Benefits are tax-free. Ordinarily, the money paid out by a long-term care insurance policy is exempt from taxes. **"***My experience after 26 years is that none of my clients have been taxed on the benefits they received for long term care" says Harry Crosby, President of Certified Senior Solutions Specialists, Inc and author of "Long Term Care Insurance: The Complete Guide."*

Payments can be made from an HSA. A health savings account can be used to make payments for long term care insurance. These tax-deductible accounts are only available to those with eligible high deductible health insurance plans. By paying for long-term care insurance out of an HSA, policyholders are effectively getting a tax deduction on the premiums.

While the tax benefits of long-term care insurance are nice, clients rarely make the decision to own a policy based on its tax deductibility.

Most people who purchase this coverage do so because they want to reduce the burden of caregiving on the family, protect their nest egg, remain independent, and stay at home for as long as possible. These objectives are often met by owning a long-term care insurance policy.

Note: Most long term care insurance claims are for homecare.

Where Would One Expect to Use Their Policy?

Type of Care	First benefit	Latest benefit
Home Care**	68%	61%
Assisted Living Facility	13%	22%
Nursing Facility	18%	17%

*Long Term Care Claims Experience Data for Genworth Life Insurance Company and affiliates – December 1974 through [December 31, 2017]
**Home Care is a combination of the Home Assistance Benefit and the Home and Community Care Benefit

Can a policy increase the chances of getting quality Home Care when you need it?