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LongTermCare.gov *Find your path forward*

U.S. Department of Health and Human Services

Using Life Insurance to Pay for Long-term Care

You can use your **life insurance policy to help pay for long-term care services** through the following options:

- Combination (Life/Long-Term Care) Products
- Accelerated Death Benefits (ADBs)
- Life settlements
- Viatical settlements

Combination Products

Many consumers are reluctant to buy long-term care insurance because they fear that their investment will be wasted if they do not use it. Some insurance companies have attempted to solve this problem by combining life insurance with long-term care insurance. The idea is that policy benefits will always be paid, in one form or another. These products are relatively new and the features are changing as the product evolves. The amount of the long-term care benefit is often expressed in terms of a percentage of the life insurance benefit.

Accelerated Death Benefits (ADBs)

LTC PATHFINDER

Planning Ahead

Planning considerations and options associated with your age:

- Less than 50
- Between 51 and 64
- Age 65 and older

Receiving LTC

Resources for people already receiving long-term care services.

- Already receiving LTC

A feature included in some life insurance policies that allows you to receive a **tax-free advance** on your life insurance death benefit while you are still alive. Sometimes you must **pay an extra premium** to add this feature to your life insurance policy. Sometimes the insurance company includes it in the policy for little or no cost.

There are **different types** of ADBs each of which serves a different purpose. Depending on the type of policy you have, you may be able to receive a cash advance on your life insurance policy's death benefit if:

- You are **terminally ill**
- You have a **life-threatening diagnosis**, such as AIDS
- You need long-term care services for an **extended amount of time**
- You are permanently confined to a [nursing home](#) and **incapable of performing Activities of Daily Living (ADL)**, such as [bathing](#) or [dressing](#)

GOOD TO KNOW

The amount of money you receive from these types of policies varies, but typically the accelerated benefit payment amount is **capped at 50 percent** of the death benefit. Some policies, however, allow you to use the full amount of the death benefit.

For ADB policies that cover long-term care services, the monthly benefit you can use for nursing home care is typically equal to **two percent** of the life insurance policy's face value. The amount available for home care (if it is included in the policy) is typically half that amount.

For example, if your life insurance policy's face value is \$200,000, then the monthly payout available to you for care in a nursing home would be \$4,000, but only \$2,000 for home care. Some policies may pay the same monthly amount for care, regardless of where you receive the care.

When you receive payments from an ADB policy while you are alive, the amount you receive is subtracted from the amount that will be paid to your beneficiaries when you die.

Key things to consider before taking advantage of an ADB policy include:

- If your life insurance policy includes an ADB feature, you may be able to use your life insurance policy to help cover long-term care services. Depending on the policy amount, there may be **little or no health screenings** required. So if you have a health condition that might exclude you from long-term care insurance eligibility, you can still obtain a long-term care insurance policy through the ADB feature on a life insurance policy.
- ADB policy payouts for long-term care services are often **more limited** than the benefits you could receive from a typical long-term care insurance policy.
- The face value of your life insurance policy **may not be enough** to allow ADB payments that are enough to cover your long-term care services needs. The benefit payments may be too low and the duration may be too short to cover your long-term care services expenses.
- ADB riders on life insurance policies **may not offer inflation protection**. If the policy does not include inflation protection, the ADB payment may not be sufficient to cover your future long-term care service costs.
- If you want to leave an **inheritance**, you should consider whether using your life insurance death benefit to pay for long-term care services is the right option. If you use the ADB feature for long-term care services, **there may be little or no death benefit** remaining for your survivors.
- Using the ADB option **may affect your eligibility** for [Medicaid](#). Check with your state Medicaid agency for more information.

Life Settlements

These plans allow you to **sell your life insurance policy** for its present value to raise cash for any reason. This option is usually only available to women **age 74 and older** and to men **age 70 and older**. You may choose to use the proceeds to pay for long-term care services.

Key things to consider before moving forward with a life settlement:

- If you sell your life insurance policy, **there may be little or no death benefit** left for your heirs when you die
- The process does not require any **health screens**; you may be in good or poor health

- The proceeds of the sale may be **taxed**

Viatical Settlements

These plans allow you to **sell your life insurance policy** to a third party and use the money you receive to pay for long-term care. A viatical settlement is like a life settlement, but it is only possible if you are **terminally ill**. During the settlement process, a viatical company pays you a percentage of the death benefit on your life insurance policy, which is based on your life expectancy. The viatical company then owns the policy and is its beneficiary. The viatical company also takes over payment of premiums on the policy. As a result, you get money to pay for care, and the viatical company receives the full death benefit after you die.

Unlike the life settlement, money you receive from a viatical settlement is **tax-free**, if you have a life expectancy of two years or less or are [chronically ill](#) and the viatical company is licensed in the states in which it does business.

Key things to consider before using a viatical settlement:

- You can only use the viatical settlement if you are terminally ill and have **a life expectancy of two years or less**
- If you use the viatical settlement option, **you do not have to satisfy the health requirements** for long-term care insurance
- If you use the viatical settlement option, your life insurance policy **will not pay a death benefit to your heirs**
- Viatical companies **approve less than 50 percent** of applicants

The amount that you receive in cash from a viatical settlement is a percent of the death benefit on your life insurance policy. The chart below lists guidelines from the [National Association of Insurance Commissioners \(NAIC\)](#), for how that percent varies based on your life expectancy.

NAIC Guidelines for Viatical Payments

Life Expectancy

Benefit (%)

1–6 months	80
6–12 months	70
12–18 months	65
18–24 months	60
Over 24 months	50

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