The Pros and Cons of Long-Term Care Funding Options

Self funding with personal assets	
Pros	**Cons**
If no long-term care expense arises, cost is zero dollars Assets saved on insurance can be invested	Any long-term care expenses will be funded through distributions from financial assets Your household assumes full risk of costs that could run into seven digits Investment risks for underlying portfolio Difficulty managing assets should a long-term care need arise Could force family members to care for you, which can create additional family hardships

Medicaid	
Pros	**Cons**
Available to those with little savings Can be used after other resources have been depleted	Requires relative poverty to qualify Reimbursement to facilities is generally lower than costs, so Medicaid recipients may receive lower quality care

Traditional long-term care insurance	
Pros	**Cons**
Minimizes household risk Premiums may be tax-deductible	If it winds up unused, could be viewed as a waste of money Historically unmanageable premium increases (although they show signs of slowing down) Difficult to predict coverage Patient left to pay for items not covered Inadvertent lapsing

Asset-Based Insurance	
Pros	**Cons**
Upfront premiums guarantee against future premium increases and the risk of inadvertent lapsing Death benefit available if long-term care insurance is not needed Long-term care coverage is leveraged by a "high deductible" as the policy's cash value is spent first Fewer underwriting requirements than traditional long-term care insurance	Large upfront premium removes assets from investment portfolio If interest rates rise, policy interest rates may fail to keep up