

No Longer Just “Life” Insurance

Traditionally, people purchased life insurance to provide a tax-free death benefit for their family in the event of their death. People also frequently utilized their life insurance policies to create a tax advantaged savings vehicle to supplement their retirement savings.

When it comes to owning insurance, many people who purchase auto insurance, homeowners' insurance, or disability income insurance, never make a significant claim against their policies. However, people who adequately fund their permanent life insurance policies will all make a claim because everybody dies eventually. Actually, that is not true.

The people who purchase life insurance policies on themselves never make a claim after they die. Their beneficiaries make the claim. It should really be called death insurance because the policy insures against death not against life. I guess some marketing executives thought that the name life insurance would be more appealing.

Most people are familiar with the 100% mortality rate of humans that I alluded to. However, most people are unaware that according to the federal government, 70% of men and 75% of women who reach age 65 will eventually no longer be able to take care of themselves by performing life's basic activities such as feeding themselves and even going to the bathroom by themselves.

When that time comes, people either need to burden their family for the care, hire home healthcare workers, or live in an assisted living or nursing home facility. Currently home care costs about \$60,000 per year and nursing homes cost about \$110,000 per year. This can often create significant financial stress on those who need care and often their families.

The good news is that many life insurance policies are now allowing the insured to spend the death benefit while they are alive if they can no longer take care of themselves, and they need professional long-term care. This can be an extremely valuable benefit.

Previously people who needed money to pay for care might have had to deplete their savings to pay for the care. Now their life insurance will potentially insure them while they are alive not just when they die.

*Forbes: [Most Americans Are Unprepared For Long-Term Care Costs](#)

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