



## Chronic Illness vs. LTC Riders

### **Your carrier of choice is probably not explaining the difference between these two types of living benefits.**

1. The biggest difference is Chronic Illness riders are guided by tax code 101g and LTC riders are guided by tax code 7702B. Both have their own set of criteria that stipulate whether benefits are qualified. The most important distinction is 101g riders are required to pay benefits on claims that are expected to be permanent and irreversible. LTC riders do not require this. Good luck getting a physician in this era to sign off on that.
2. Chronic illness rider benefits are generally paid out in lump sums a few times a year which could put them in violation of the per diem maximum of \$320/day or \$9,600/month for 2013. Those numbers are to be adjusted each year for inflation. Any benefits paid in excess of those amounts at one time could be taxable.
3. Chronic Illness benefits do not incur a separate charge nor do they require LTC CE training requirements. LTC riders are access an extra cost and require LTC training. The logical question to ask then is what level of claims do carriers expect to pay on a benefit that is not access an extra charge nor requires special CE training. The answer is far less than they expect to pay on LTC riders that require both.
4. Most chronic illness benefits pay based upon a present value calculation of some percentage of the death benefit that also takes into account the severity of the illness or injury. LTC riders are simply based on the death benefit. You buy a 500k policy and you have a bucket of money to use for LTC, LTC/Death or Death only. There is no benefit reduction based upon a c calculation.

**As you can see with most things in our industry there is more than meets the eye with the new living benefits. They are all great options for clients but should be oversold as panaceas. If your clients have legitimate need for life and LTC, then products that offer true LTC riders are terrific options that can cover both contingencies.**

**Every Case Counts. Every Broker Matters.**

**The Selario Agency, Inc.**

**Howard Stern, CLU, ChFC**

**800-331-7113**

[hstern@selarioagency.com](mailto:hstern@selarioagency.com)

Please check our website [www.selarioagency.com](http://www.selarioagency.com) for more information about how we can help grow your practice.