PROTECTION · LONG-TERM CARE

Insure It or Pay for It Yourself?

The honest answer to "Is long-term care insurance worth it?" is a number, and you can find yours. It comes down to three things: when care starts, how long it lasts, and the return you can really count on.

A standalone Forte Life piece · about 9 min · part of the Protection series.

Every couple I sit down with gets to this question eventually, usually right after the words *nursing home* come up and the room goes quiet.

"We've saved well. Why would we pay an insurance company for something we might never use? Couldn't we just keep the money invested and pay for care ourselves if it ever comes to that?"

It's a fair question. It's also the one people type into search bars late at night: *Is long-term care insurance worth it? Should I just self-insure?* Most of the answers you'll find are opinions. Some come from people who sell the coverage, and some from people who hate it.

I'd rather give you the math. Not my number, *your* number, and a way to find it yourself. Because once you lay the two paths side by side, the answer isn't "always insure" or "never insure." It's a line you can actually see, and which side of it you're on depends on three things you can name.

THE ODDS

How likely is it, really?

A study prepared for the U.S. Department of Health and Human Services found that **70% of adults who reach 65 develop a severe long-term care need before they die**: 75% of women and 64% of men. For most it's short, and only about a quarter receive more than two years of paid care. But **26% have severe needs lasting more than four years, and 6% more than ten** (HHS/ASPE).

That's the shape of this risk. Most care is short and affordable out of savings. A smaller share is long and expensive enough to rewrite a retirement. And a couple gets two chances for it to happen, sometimes at the same time.

THE OLD ANSWER

Why do long-term care premiums keep going up?

If you've watched a parent's long-term care premium climb year after year until they dropped the policy, you've seen why so many people walked away from traditional coverage. Those policies charge a premium every year, the premium isn't guaranteed, and insurers have raised rates on existing policyholders while many stopped selling the coverage altogether (Morningstar).

And if you never need care, you get nothing back. That's the "use it or lose it" problem, and it's the single most common objection I hear.

A DIFFERENT APPROACH

What is asset-based long-term care?

Asset-based coverage takes a different approach. Instead of renting coverage with a premium that can rise, you set aside a sum of your own money inside a contract that does two jobs at once:

- **If care is needed,** it pays monthly care benefits, and with the right design those benefits continue for life.
- **If care is never needed,** the money doesn't vanish. It's still yours: as an account value, a death benefit, or both, passed to your family.

There are two main versions. One is built on **an annuity**: your money sits in an account that keeps growing, care is paid first from that account, and then a lifetime rider takes over. The other is built on **a life insurance policy**: care is paid by accelerating the death benefit, then a lifetime rider continues it, and whatever isn't used passes to your heirs.

In both, that lifetime rider is called the **Continuation of Benefits rider, or COB** for short. It's the insurance part of the policy: once the first stretch of care has been paid, the COB is the insurance company's money, paying your monthly benefit for as long as care lasts.

Both answer "use it or lose it." Neither answers the question that matters most, which is whether you'd be better off just keeping the money.

THE FAIR TEST

Should I just self-insure?

Here’s the fair way to answer it. Start both paths with the same money.

- **Self-fund:** every dollar stays invested at your return, and pays for care if and when it comes.
- **Insure:** part of the money goes into the coverage, the rest stays invested at the same return, and the coverage pays for care.

Then ask one question: *when care ends, which path left you with more?* That’s the whole comparison, and it turns on three things:

- **When care starts.** Care that starts early gives your invested money less time to grow before it has to start paying.
- **How long it lasts, and for whom.** A short stay is easy to self-fund. A long one, or both of you at once, is where savings run out.
- **The return you can really count on.** The higher the return you keep on invested money, the more often self-funding wins.

THE HONEST PART

What most people selling this won’t tell you

With the annuity version, the first stretch of care, about two and a half years, is paid out of *your own* account. The insurance company’s money starts after that, through the COB. So if you assume your invested money earns a strong return every year, you’ll find that self-funding comes out ahead in a lot of scenarios.

That’s not a flaw in the comparison. It *is* the comparison. Insurance was never built for the average outcome. It’s built for the outcomes that break a plan: care that starts early, care that runs long, or both of you needing it at once.

One design choice makes the trade much better: paying for the COB **yearly instead of up front.** Most of the money stays invested, the yearly payment is guaranteed never to increase, and it stops as soon as either of you goes on claim.

THE NUMBERS

What the numbers show for a couple at 66

Here’s a real example, run on actual carrier pricing. A married couple, both 66, wants $5,000 a month of care covered for each of them, rising 3% a year, for life. With the annuity version and the COB paid yearly, they’d put about **$148,500** into the account, which stays theirs and keeps growing, and pay about **$8,450 a year** for the COB until either of them needs care.

Now suppose care starts at 76. How long would it have to last before insurance comes out ahead of keeping the money invested?

When Insurance Pulls Ahead

Care starting at 76 · how long it must last before insuring beats self-funding

RETURN YOU KEEP	ONE OF YOU NEEDS CARE	BOTH OF YOU AT ONCE
7%	longer than 6 years	longer than 3 years
6%	longer than 5½ years	longer than 2½ years
5%	longer than 5 years	longer than 2½ years
4%	longer than 4½ years	longer than 2½ years

For one of you, self-funding wins most short and medium stays, especially if you’re confident in a strong return. Plenty of well-saved couples can comfortably absorb a two- or three-year claim.

For both of you, the picture flips fast. Two people on care at once doubles the cost, while the coverage pays for both. Insurance pulls ahead after about two and a half to three years, at almost any return.

THE OVERLAP

What if we both need care?

This is the question I’d put at the center of the decision. A single long claim is the risk most people picture. The one that actually breaks a self-funded plan is the overlap: one spouse in care while the other still needs a home, groceries and a life, or both needing care in the same years. The money set aside for “care” has to cover two people, plus the household still running at home.

The size of the coverage doesn’t change where these lines fall, because everything scales together. What changes them is your age, your health, and above all your return.

THE GAP

How much coverage do I really need?

Less than most people assume, because you don't have to insure the full cost of care. You only need to insure **the gap**: the part your income and savings can't comfortably carry.

Think about what keeps paying when care starts. Social Security keeps coming. So does a pension or an annuity. Your savings can still support a sustainable draw. Some household costs even fall once one of you is in care. What's left over, after all of that, is the gap, and that's the number worth insuring.

- **Look up what care costs where you live,** by type and level of care, from in-home help to assisted living to a nursing home: Genworth / CareScout Cost of Care.
- **Fill in the Gap Finder** at the top of the analyzer: your guaranteed income (Social Security, pension, annuity income), your savings by tax type (Tax-Deferred, Taxable and Tax-Free), and your monthly expenses three ways: if care isn't needed, if one of you needs care, and if both of you do.
- **Read the gap.** The Gap Finder shows the monthly amount left uncovered in each case, and the coverage that would close it for one of you, or both at once.

In the example built into the tool, care runs $7,500 a month for each person, but the gap works out to about $4,800 each. That couple would insure about two-thirds of the cost of care, and their own income and savings would carry the rest. Insuring the gap instead of the whole bill cuts the cost of coverage by about a third, and it keeps far more of your money working for you.

THE REAL VARIABLE

What return should I assume?

This is where most self-funding plans quietly go wrong. The number people plug in is usually the market's average. The number they actually live on is the return they *keep*.

Over the last 25 years, the S&P 500 averaged about 10.3% a year. After the real-world drag between the market and the investor, fees and taxes, the same money kept closer to 4.9% (The Actual Net Return). Run the comparison at 7% and self-funding looks strong. Run it at the return you'll really keep, and the lines move toward insurance. You can find your own number with the Actual Net Return Calculator.

Then there's timing. Any comparison like this assumes the same return every year, but markets don't arrive that way. If care starts right after a bad stretch, you're selling investments at a loss to pay for it, and those dollars never get the chance to recover. The average says you're fine; the *order* of the years says otherwise (The Order of Things). That's precisely the moment coverage is built for.

TAXES

Are long-term care benefits taxable? Can I use my IRA?

It depends on the money you use.

- **With savings outside a retirement account,** benefits paid for qualified long-term care are generally income-tax-free.
- **With IRA or 401(k) money,** it's more nuanced. The part of your care paid from the annuity's own account is taxable like any IRA withdrawal, while the COB's benefits remain tax-free.
- **If you self-fund from an IRA,** every dollar you withdraw for care is taxable.

One thing works in your favor either way: long-term care counts as a qualified medical expense. In the years you're paying for care, the portion above 7.5% of your income is deductible, which takes back part of that tax. How much depends on your income and how the rest of your return is built, so this is worth running with your own numbers rather than guessing.

YOUR TURN

Run it yourself

I built a tool so you can see the answer instead of taking my word for it. It runs the sample couple at 66, using real carrier pricing, against every combination of when care starts and how long it lasts. Start with the Gap Finder to size your coverage, then send that amount into the comparison with one click. You choose the return, and whether one or both of you need care.

Two grids do the work. The first shows who comes out ahead at your return, and by how much. The second shows the **break-even return** for every scenario: the return your invested money would have to beat, every single year, for self-funding to win. If you can't count on beating that number, insurance is the better choice.

YOUR NUMBERS, NOT MINE

Insure It or Self-Fund It?

Find your gap, then compare insuring it against self-funding for every care age, length and return. A few minutes, entirely private.

RUN THE LONG-TERM CARE ANALYZER →

> *The question was never really “Is long-term care insurance worth it?” It’s “What return will I actually keep, and what happens if care comes at the wrong time?”*

WHERE TO BEGIN

Want to see your own numbers?

The sample couple is 66. You might be 58, or 71, or ten years apart. Your health, the money you’d use, and your tax picture all move the lines. And for some people, the honest answer is to self-fund most of it and insure only the part that would break the plan.

Book a time and I’ll run it on your real numbers, side by side, and show you exactly where your crossover sits. You’ll leave knowing which side of the line you’re on.

You spent a lifetime growing what you’ve saved. The right plan for care keeps one long illness, or two at once, from cutting it down.



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BOOK A PROTECTION REVIEW →

SCAN TO BOOK

About this piece. *The sample figures are a hypothetical projection based on October 2026 carrier pricing for a joint contract, a couple both age 66 in the Preferred Non-Tobacco class, with $5,000 a month of care for each and 3% lifetime inflation protection; your pricing depends on your ages, health, state and underwriting. The comparison assumes a steady return every year and care costing the full monthly benefit; real returns vary. Guarantees are subject to the claims-paying ability of the issuing company. Educational only, not tax, legal or investment advice.*

Sources. *What Is the Lifetime Risk of Needing and Receiving Long-Term Services and Supports?, Richard W. Johnson, Urban Institute, for HHS/ASPE, 2017 · There’s No Magic Number for Self-Funding Long-Term Care, Morningstar · Genworth / CareScout Cost of Care.*

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