Long-Term Care Insurance Is an Option for the Financially Turbulent Times

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"What should I be investing in? Is this like the Depression? Should I start investing in fedoras and bread crust?" host Stephen Colbert asked Jim Cramer in a mock interview on The Colbert Report.

Under normal circumstance Comedy Central wouldn't be the best place to find sound financial advice but with Wall Street's recent track record, many people don't really know where to turn to for investment advice.

Cramer replied that this would be a good time to invest in Campbell Soup, Heinz and Kellog -- Mac and Cheese and other comfort food. While that got some laughs there is a nugget of wisdom to the "comfort food" investing strategy. For example, the price of Campbell Soup stock has remained relatively unaffected in the past year.

Many analysts have suggested different sectors that might be good investments now, but one that might interest insurance practices is long-term care insurance. According to its proponents, LTCi is one of the safest and recession-proof financial options available to investors.

While there is no doubt that the market and the economy will bounce back, it's hard to say when things will turn around and go back to pre-crisis levels. Despite government plans and global infusions of cash, Moody's, for example, believes market recovery is not waiting around the corner. Investors are still wary and this is preventing the market from stabilizing.

In the event that a retiree requires long-term care while the market is down, his or her investment portfolio may not have sufficient value to fund it. In fact, last week the Congressional Budget Office (CBO) estimated that Americans' retirement plans have lost about 20 percent of their value in the past 15 months.

The financial benefits provided by an LTCi policy are fixed and unaffected by market volatility. Regardless of market conditions, an individual will receive the benefits stipulated in his or her LTCi coverage. An inflation-adjusted payout level would work best particularly when the economy is quickly rebounding from a recession.

LTCi also enjoys the protection of insurance regulation in which states would ensure coverage in case of a carrier's failure. In this case, individual policyholders are also prioritized over creditors when states liquidate carrier assets. In the unlikely event that assets are not enough to cover its claims the state guaranty fund ensures that coverage will continue.

All insurance companies doing business in the state are evaluated by the state fund to continue coverage and pay claims in progress for the defunct company's policies. However, guaranty associations typically limit coverage up to $300,000.

LTCi is not for everyone. But for those who can afford to purchase the policy but are having second thoughts, the need for good investment opportunities at this time of financial turbulence could be the deciding factor.
