Home Equity and At-Need Annuities – A Dynamic Long-Term Care Funding Duo

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Abstract

In a somewhat similar vein to the innovation of tapping the illiquid stored legacy value in life insurance policies through viatical settlements to help many gay men who contracted AIDS in the mid-1980s, the leverage of at-need annuities, combined with the illiquid stored legacy value of home equity, can be helpful in dealing with another scourge—the all-too-frequent uninsured cost of long-term care.

This paper describes the prevalence of the still uninsured long-term care financial risk, and how the at-need annuity/home equity combination can become at-least a "late-in-the-game" insurance solution. Spreadsheet analyses of alternatives for combining them most effectively are discussed, as well as the sensitivities involved and the need to focus the risk/reward choices. The analyses also discuss weaknesses of reverse mortgages and Medicaid in these respects.

The paper also suggests broader implications.