



USING A FIXED ANNUITY FOR LONG-TERM CARE COVERAGE

PROTECT EVERYTHING YOU HAVE SAVED

Most of us plan for the fun parts of retirement. Fewer plan for the time when we may need help with everyday things like bathing or dressing. This guide covers one strategy that helps you prepare without throwing money away: **a fixed annuity that also pays for care.** The facts below come straight from the IRS and federal health agencies.

The Part Nobody Likes to Think About *(Why This Matters to You)*

Turn 65 today and you have a **~70%** chance of needing long-term care assistance someday. 1/3 never will, but ~1/5 will need it longer than five years, and women tend to need it longer (~3.7 years) than men (~2.2 years). Alzheimer's is a leading cause: ~7.2 million Americans age 65+ are living with it in 2026.

Long Term Care Is Not Cheap

National median costs today (your area may run higher):

Type of Care	Median Cost per Year
Home health aide (in your home)	~\$77,800
Adult day care center	~\$26,000
Assisted living community	~\$74,400
Nursing home, shared room	~\$115,000
Nursing home, private room	~\$129,600



Three Common Ways People Handle This, and the Catch *(3 Choices)*

1) Pay Out of Pocket

A few years of care can drain savings fast and force you to sell investments at the wrong time.

2) Traditional Long-Term Care Insurance

It works, it can be expensive but it is usually "use it or lose it," and premiums can rise.

3) Do Nothing

This quietly hands the bill, and the hard decisions, to your family.

A Fixed Annuity That Also Covers Care *(A Better-Balanced Option)*

You place a lump sum with an insurance company. It grows at a guaranteed minimum rate, tax-deferred. Add a long-term care benefit and, if you ever need care, the contract pays from a pool set aside for it, often two to three times your deposit, and possibly earnings, depending on the product and your health.

The difference from traditional coverage: it is not "use it or lose it." If you never need care, the value you put in plus growth (less any fees and withdrawals) passes to your family as a death benefit.

The Tax Break *(Where the Real Advantage Lives)*

Money you pull from this kind of annuity for qualified long-term care is generally free of federal income tax, even the growth, subject to the caps below.

- For 2026, up to **\$430/day (~\$13,079/month)** in qualified benefits is federal income tax-free under a tax-qualified contract.
- You can often move an existing annuity in tax-free using a § 1035 exchange.
- **Caution:** withdrawals for other reasons can be taxable, and money taken before age 59½ may add a 10% federal penalty.

How You Qualify to Use the Care Benefit *(How the Benefit Gets Turned On)*

A licensed health care practitioner must certify you're chronically ill. Under §7702B, that means either:



You cannot do at least 2 of the 6 Activities of Daily Living (ADL) on your own for at least 90 days, or



You have a severe cognitive impairment (like Alzheimer's) and need substantial supervision.

The 6 Activities of Daily Living (per the IRS):

Bathing	Dressing	Eating	Toileting	Continence	Transferring (in or out of a bed or chair)
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In most cases you choose where care happens: at home, at an adult day center, in assisted living, or in a nursing home.

What This Can Look Like *(A Quick Hypothetical Illustration)*

A couple in their mid-60s set aside \$150,000 in a fixed annuity with a care benefit. Depending on the product and their health, that might create a care pool of ~\$450,000 for qualified care. If one of them needs years of help, that pool, paid tax-free, can cover much of the bill instead of draining their savings. If neither needs care, the original deposit plus growth can go to their children!

Is This a Fit for You? *(Let's Make it Personal)*

This tends to fit if you have money set aside that you will not need for daily living, you would rather have guarantees than market risk on it, and you want a care safety net that is not "use it or lose it." When comparing contracts, look at the size of the care pool, the monthly cost, covered care settings, any waiting period, surrender charges, and the insurer's financial strength.

One size doesn't fit all. We need to look at your full picture, your taxes, your income, and the people you are protecting to determine if this is right for you.

Reach Out and Let's Map It Out Together.

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- <https://acl.gov/ltc/basic-needs/how-much-care-will-you-need> as of 2.18.2020
- <https://www.alz.org/alzheimers-dementia/facts-figures> as of 6.11.2026
- <https://www.carescout.com/cost-of-care> as of 6.11.2026
- <https://www.irs.gov/instructions/i1099ltc> as of 4.1.2025
- <https://www.irs.gov/pub/irs-drop/rp-25-32.pdf> as of 10.17.2025