

Today's LTCi Options

HOSTED BY TOM DICKSON

FINANCIAL EXPERTS NETWORK

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Today's Speaker



Tom Riekse, CLU, ChFC, CEBS
Managing Director
LTCI Partners

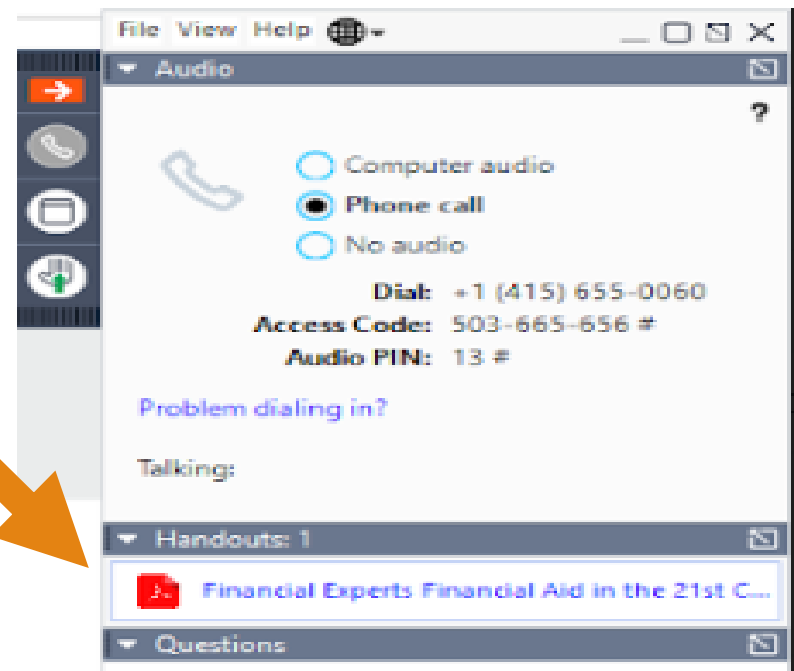
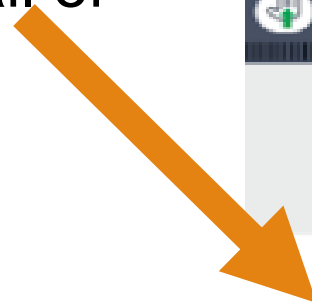
As the Managing Director of LTCI Partners, Tom leads one of the largest national insurance distributors focused exclusively on long-term care planning.

Tom has been working in the long term care insurance industry since 1991. Tom is a graduate of Hope College and has an MBA from The University of Illinois at Chicago. In addition, Tom holds the Certified Employee Benefit Specialist designation from the IFEBP and the Wharton School and the Chartered Financial Consultant and Chartered Life Underwriter from the American College of Financial Services.

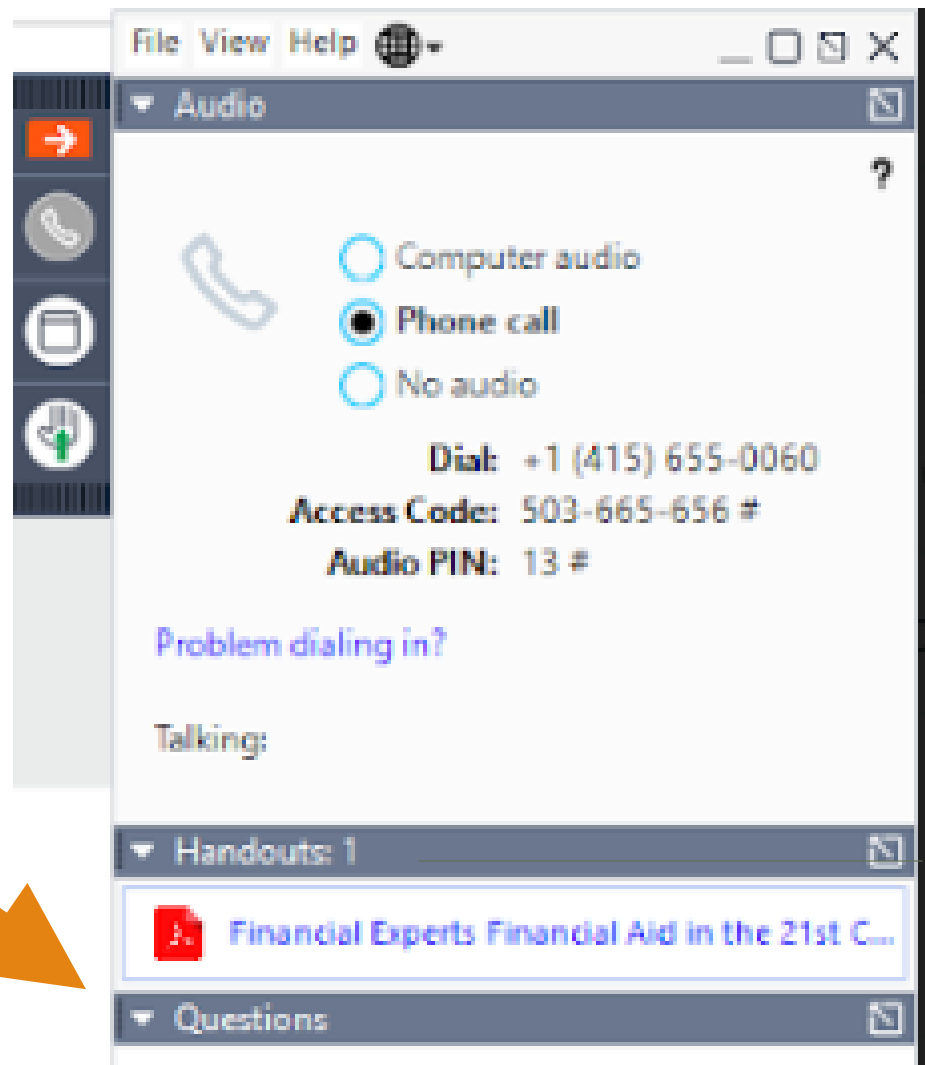
He is also a member of the National Association of Health Underwriters, the National Association of Insurance and Financial Advisors, and The International Society of Certified Employee Benefit Specialists.

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Questions



Upcoming Webinars

WWW.FINANCIALEXPERTSNETWORK.COM

Understanding how Annuities Work with Wade Pfau

Tuesday, December 10, 2019 at 4:00 PM ET

Presented by Wade Pfau, PhD, CFA

Must-See FinTech for Financial Advisors

Tuesday, January 21, 2020 at 3:30 PM ET

Not Posted Yet: Members Only

Medicare on Jan. 7 at 4:00 ET

Ethics CE on March 18 and Sept. 9 at 3 pm ET

Requirements to obtain CE

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RICPs, CLUs and ChFCs

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Survey Incentive



**An Advisors Guide to
Hybrid Life/Long-Term
Care Solutions**

Today's LTCi Options for Financial Advisors and Planners

PRESENTED BY TOM RIEKSE, CLU[®], CHFC[®], CEBS[®]

NOVEMBER 7, 2019

EMAIL: TOM.RIEKSEJR@LTCIPARTNERS.COM

What we'll cover

- Estimating Future Care Costs and trends
- The spectrum of planning options and market update
- Traditional LTC Insurance
- Linked Life/LTC Insurance
- Comparing the options
- Tax Advantages of LTC Insurance
- About LTCI Partners, LLC and our services



Disclosures

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Disclosures

When evaluating the purchase of a variable annuity, your clients should be aware that variable annuities are long-term investment vehicles designed for retirement purposes and will fluctuate in value; annuities have limitations; and investing involves market risk, including possible loss of principal.

This information assumes that the life insurance is not a modified endowment contract, or MEC. As long as the contract meets the non-MEC definitions of IRC Section 7702A, most distributions are taxed on a first-in/first-out basis. Surrender charges may apply to partial surrenders. Loans and partial surrenders from a MEC will generally be taxable, and if taken prior to age 59 ½, may be subject to a 10% tax penalty. Loans and partial surrenders will reduce the cash value and the death benefits payable to your beneficiaries, and withdrawals above the available free amount will incur surrender charges. If your contract were to lapse with a loan outstanding, the loan amount in excess of basis will be treated as a distribution and all or a portion will be subject to income tax.

The underlying investment options to a variable annuity or life insurance product are not publicly traded mutual funds and are not available directly for purchase by the general public. They are only available through variable annuity/variable life insurance policies issued by life insurance companies.



NFM-18785AO (09/19)

Disclosures

As your clients' personal situations change (i.e., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure these strategies and products are suitable for long-term life insurance needs. You should weigh your clients' objectives, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in the policy. Variable life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as gender, health and age, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your clients' individual needs.

Not all Nationwide products and services are suitable for all clients or situations. There may be products, issued by other companies, which better suit your clients' goals. Be sure to consider your clients' objectives, their need for cash flow and liquidity, and overall risk tolerance when using any strategy.






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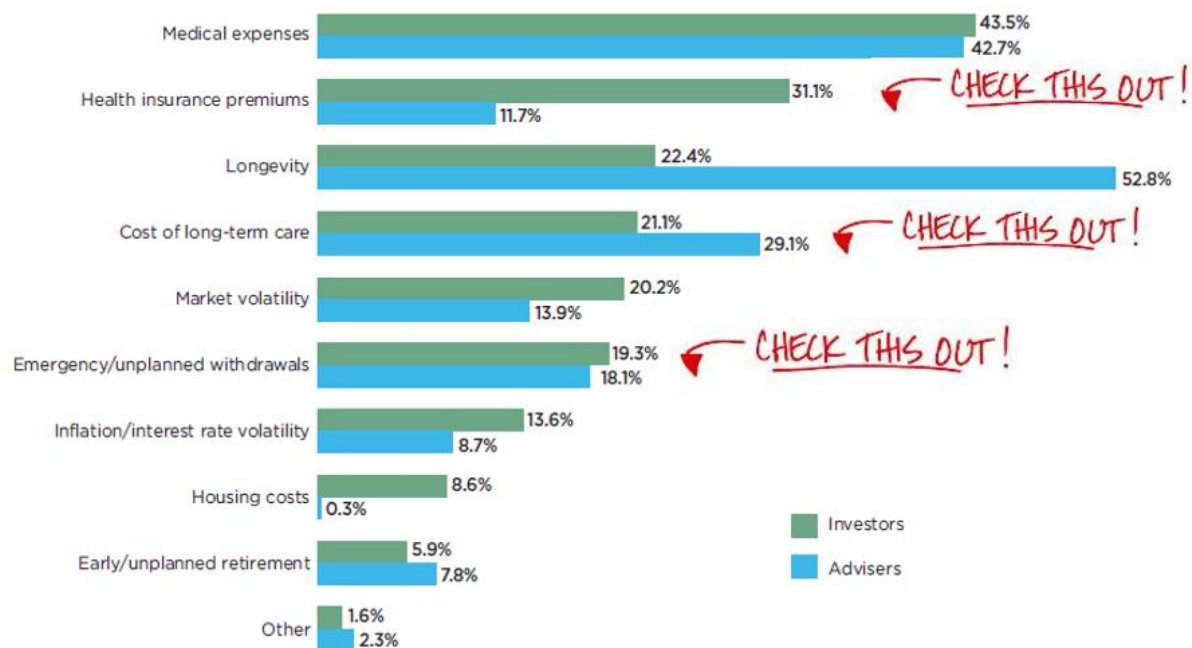
Summary of Retirement Risks

Risk category	Issues	Detrimental behaviors	Immediacy	Level of control	Can risk be mitigated?
 Investment risks	<ul style="list-style-type: none"> • Market return risks • Interest rate risk • Asset allocation risks • Sequence-of-return risk 	<ul style="list-style-type: none"> • Investing too conservatively or aggressively • Sub-optimal Social Security claims • Timing the market 	High	Moderate	Yes
 Inflation	<ul style="list-style-type: none"> • Inflation 	<ul style="list-style-type: none"> • Assuming too low a rate of inflation in retirement • Fixed income 	High	Low	Yes
 Healthcare cost risks	<ul style="list-style-type: none"> • Out-of-pocket medical costs • Prescription drug costs • Long-term care costs 		High	Moderate	Yes
 Longevity/mortality risks	<ul style="list-style-type: none"> • Outliving assets • Death of spouse 	<ul style="list-style-type: none"> • High withdrawal rates • Non-coverage of spousal benefits 	Low	Low	Yes
 Public policy risks	<ul style="list-style-type: none"> • Reduction of Social Security benefits • Reduction of Medicare benefits • Tax increases 		Moderate	None	No

In addition to the above risks, retirees may be exposed to a host of additional risks: *employment risk* — for those who plan to work during retirement; *business risk* — which could impact retiree benefits such as DB plans and health insurance; *marital status risk* — can impact Social Security and other benefits, and divorce can lead to financial problems for either or both spouses; and *caregiver risk* — for retirees who need to provide financial or other assistance to family members.

Source: UMRA Secure Retirement Institute, 2018

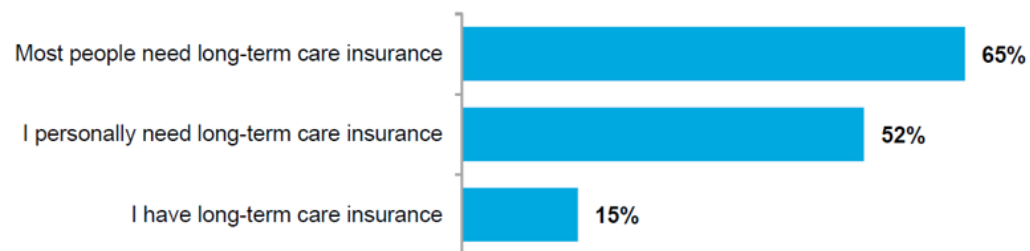
Figure 8: Largest financial concerns in retirement



Source: Nationwide Retirement Institute (2018)

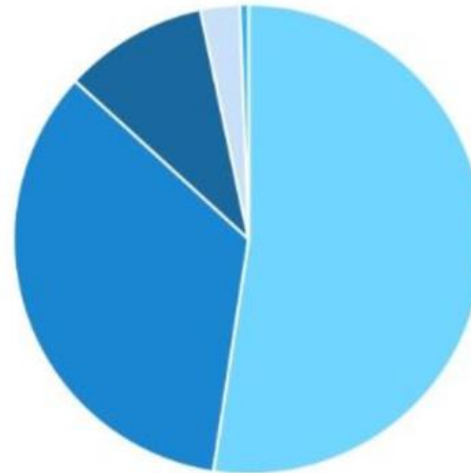
Consumer Attitudes & Behavior

Figure 20 — Long-Term Care Insurance Attitudes and Ownership



Who pays for long-term care?

- Medicare, 10%
- Medicaid, 34%
- Other public, 1%
- Out-of-pocket, 52%
- Private insurance, 3%



Source: Department of Health & Human Services

Estimating Cost of Care and Trends – Current

Annual Median Costs: *National (2019)*

In-Home Care ⓘ	Community and Assisted Living ⓘ	Nursing Home Facility ⓘ
Homemaker Services¹	Adult Day Health Care³	Semi-Private Room⁵
\$51,480	\$19,500	\$90,155
Change Since 2018 ²	Change Since 2018 ²	Change Since 2018 ²
7.14%	4.17%	0.96%
Home Health Aide¹	Assisted Living Facility⁴	Private Room⁵
\$52,624	\$48,612	\$102,200
Change Since 2018 ²	Change Since 2018 ²	Change Since 2018 ²
4.55%	1.28%	1.82%

- Home care costs might be impacted by lack of caregivers and minimum wage laws
- Cost shifting for Nursing Home Costs- Carriers will pay 2x Medicaid rate in Massachusetts for a private Nursing home room
- Competition among assisted living facilities

Source: Genworth 2019 Cost of Care Survey

Future Cost Estimates 2049 2% versus 5%

CALCULATE FUTURE COST



Annual Median Costs: *National (2019 vs. 2049)*

Change annual inflation rate (2 - 5%) **2%** ▼

In-Home Care ⓘ		Community and Assisted Living ⓘ		Nursing Home Facility ⓘ	
Homemaker Services ¹	\$51,480	Adult Day Health Care ²	\$19,500	Semi-Private Room ⁴	\$90,155
2049* Cost	\$93,249	2049* Cost	\$35,322	2049* Cost	\$163,303
Home Health Aide ¹	\$52,624	Assisted Living Facility ³	\$48,612	Private Room ⁴	\$102,200
2049* Cost	\$95,321	2049* Cost	\$88,054	2049* Cost	\$185,121

Annual Median Costs: *National (2019 vs. 2049)*

Change annual inflation rate (2 - 5%) **5%** ▼

In-Home Care ⓘ		Community and Assisted Living ⓘ		Nursing Home Facility ⓘ	
Homemaker Services ¹	\$51,480	Adult Day Health Care ²	\$19,500	Semi-Private Room ⁴	\$90,155
2049* Cost	\$222,494	2049* Cost	\$84,278	2049* Cost	\$389,645
Home Health Aide ¹	\$52,624	Assisted Living Facility ³	\$48,612	Private Room ⁴	\$102,200
2049* Cost	\$227,438	2049* Cost	\$210,098	2049* Cost	\$441,703

Source: 2019 Genworth Cost of Care Survey

Incorporating Client Health into estimates

The image shows a desktop website for Genivity HALO and a laptop displaying the HALO Care Cost Planner interface.

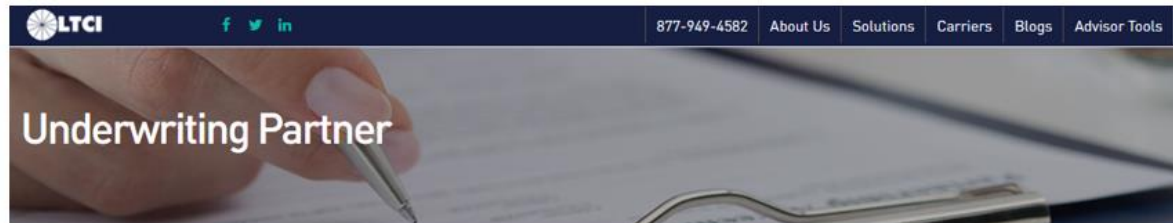
Desktop Website:

- Navigation: GENIVITY HALO (underlined), ABOUT US, GENIVITY (logo), HEALTH = WEALTH BLOG, Demo Genivity
- Header: **Halō** Health Analysis and Longevity Optimizer
- Text: Genivity's HALO assessment is the fastest, easiest way to plan for a lifetime of health and care costs.
- Button: Request a Consultation

Laptop Screen (HALO Care Cost Planner):

- Header: **Halō** Genivity HALO Care Cost Planner
- Section: **How do you want to live?**
The timeline you see below provides a snapshot of how your answers to the HALO assessment questions affect the timeline of your life.
- Timeline: Your Retirement Goal Age (33 to 65 5.7)
- Active Working Years: 32
- Active Retirement Years: 19
- Factors: 0 YEARS LOST, Smoke-free life, Regular exercise, Ideal BMI for longer

Health Determination – Good first planning step



Tap into the expertise of our LTC consultants to use our exclusive Underwriting Partner program to pre-screen your clients' health and recommend a long-term care solution. We've found that using this screen prior to taking the application reduces application declines by 33%!

You can send our [health screen](#) (copy and paste [this link](#)) directly to your clients or have our LTC consultants call your client to pre-screen their health. Our survey is built on industry leader Survey Monkey and is HIPAA compliant.

"This is excellent feedback. I love this process."

Dana Mikstay-Executive Vice President at Alliant/Mesirow Insurance Services

In addition to sharing the health screen link, you can contact us directly to arrange or [Request a Proposal](#).

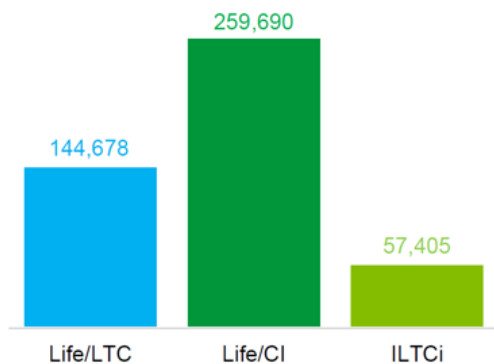


Marketplace Update

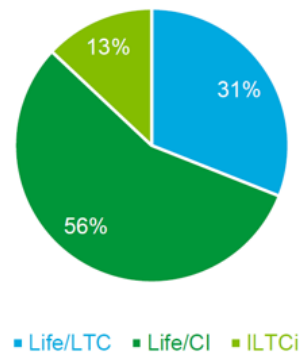
Individual Long-Term Care Solutions

- Standalone individual long-term care (ILTCi) products' share of the broader long-term care market continues to shrink. In 2018 ILTCi lost three percentage points of policy market share to combination life/LTC products. Combination products now represent more than 87 percent of the overall policy market for individual LTC solutions.

2018 New Lives



Market Share by New Lives

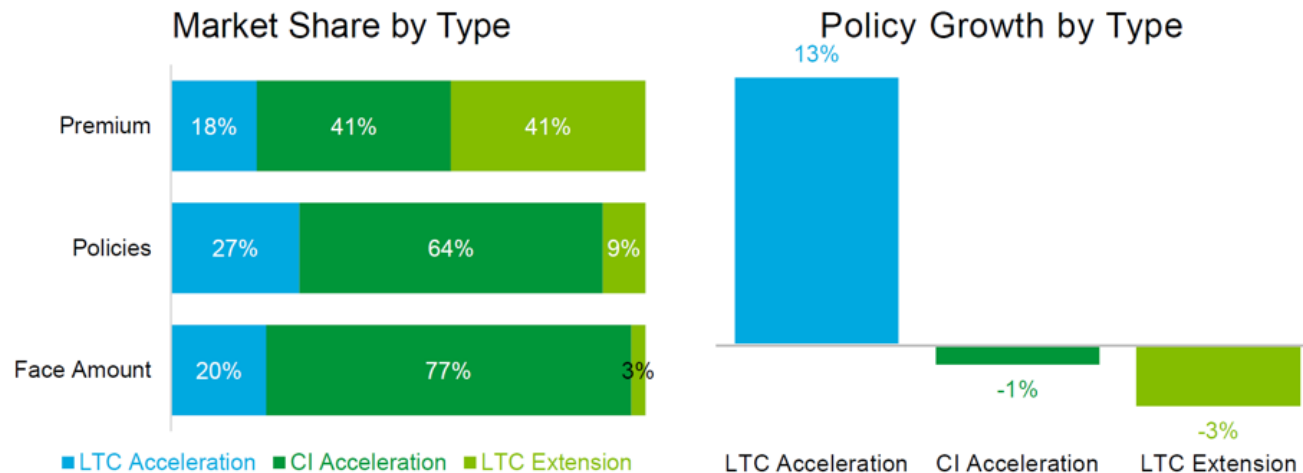


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Marketplace Update

Individual Combination Product Market Share

- Long-term care (LTC) acceleration riders were the only products to experience an increase in policies or premium over the previous year.
- Chronic illness (CI) acceleration riders continue to hold the largest portion of policies, despite ceding two percentage points of market share to LTC acceleration products.
- Even after a 3 percent decline in premium, single-premium LTC extension products continue to hold the largest portion of the overall combination premium market, accounting for 38 percent of all new premium in 2018, while representing less than 10 percent of the combination policies sold.



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Spectrum of Options



LONG-TERM CARE INSURANCE

Protect your assets from an extended health care event

PROS:

- Inflation Protection
- Care Coordination "Concierge Healthcare" Benefit
- Maximizes long-term care insurance leverage while minimizing premium commitment.
- Tax Deductible for business owners
- HSAs

CONS:

- Premiums not Guaranteed
- "Use it or lose it" premium (no chase value or return of premium)



ASSET BASED HYBRID

Protect your assets and retirement savings from an extended health care event while retaining maximum flexibility

PROS:

- Standardized benefit trigger
- 1035 exchanges
- Tax Advantages
- Maximizes flexibility and provides a substantial benefit for a long-term care insurance event.
- Flexible payment options
- Return of premium
- Guaranteed premiums
- Life Insurance and LTC Benefits

CONS:

- Opportunity cost (if single premium option is selected)
- Not the same tax advantages for business owners



LIFE INSURANCE

Maximize your death benefit while retaining moderate flexibility

PROS:

- Largest Death Benefits
- Relatively low premium cost for rider
- Better suited to pay for benefits on a monthly basis, if needed.

CONS:

- If LTC is needed, reduction of death benefit
- No return of premium
- Benefit triggers not standardized
- Benefits determined at claim time
- No inflation protection



FIXED OR INDEXED ANNUITIES

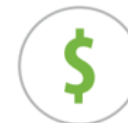
Long-term care options late in life with potential health concerns

PROS:

- Limited or no medical underwriting
- 1035 exchange tax advantage could turn tax-deferred growth to tax-free LTC payments

CONS:

- Limited or no inflation protection
- Typically no care coordination
- No tax advantages for business owners



SELF FUNDED

Access to money now

PROS:

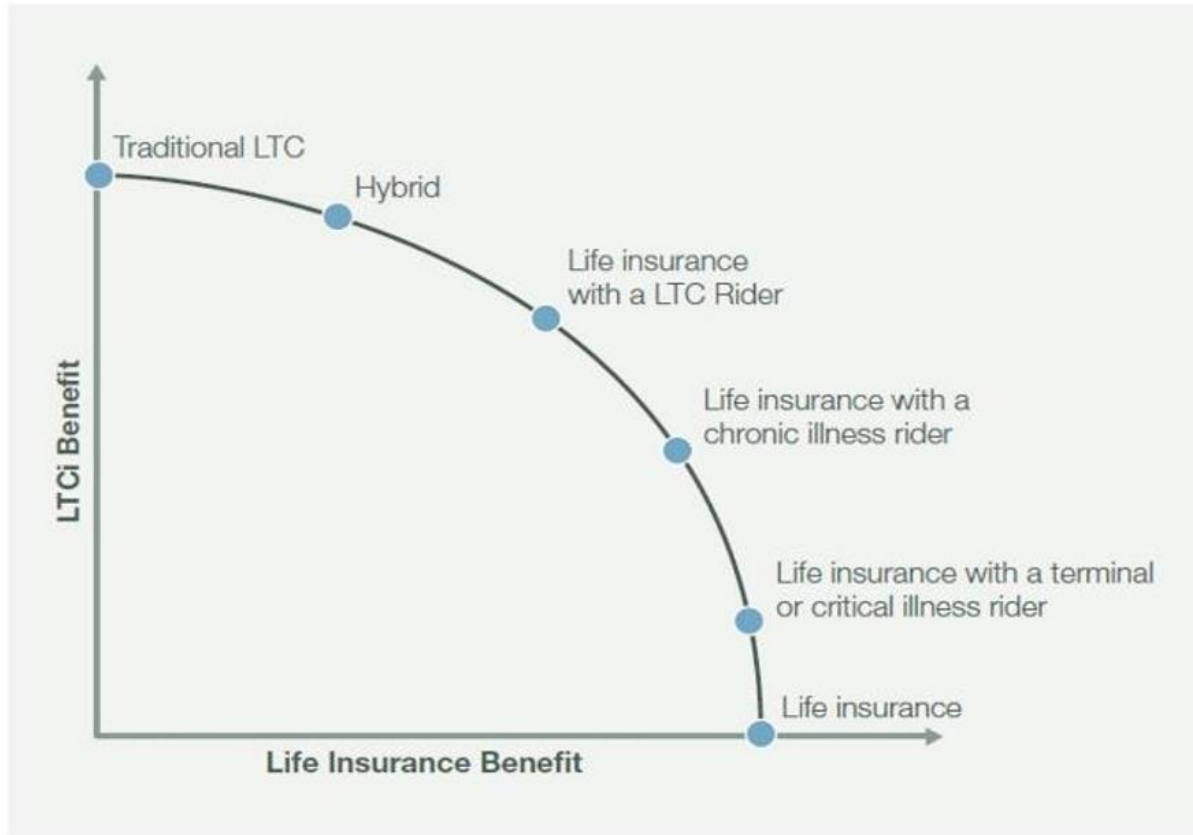
- Zero up-front costs while retaining liquidity

CONS:

- Not a healthcare plan
- No care coordination benefit
- Tax timing consequences
-

LONG TERM CARE  INSURANCE

Spectrum of Options



LTC Planning Solutions

Category	Traditional Long-Term Care (LTC) Insurance	Linked Benefit (Life Insurance with Death Benefit Acceleration and LTC Extension)	Life Insurance with Chronic Illness (CI) Protection	Life Insurance with LTC Rider
Regulation Codes (IRC)	7702b	7702b and potentially modified endowment contract (MEC)	101g	7702b
Definition of Chronic Illness	2 out of 6 ADLs ¹ or severe cognitive impairment	2 out of 6 ADLs or severe cognitive impairment	2 out of 6 ADLs or severe cognitive impairment; some policies and/or states require this condition to be permanent	2 out of 6 ADLs or severe cognitive impairment
Benefit Payment Options	Reimbursement, traditional indemnity and cash indemnity	Reimbursement, traditional indemnity and cash indemnity	Reimbursement and cash indemnity	Reimbursement, traditional indemnity and cash indemnity
Underwriting	Full underwriting with cognitive assessments after certain age	Streamlined underwriting with cognitive assessments after certain age	Ranges from no underwriting to full underwriting as part of base life insurance contract	Full underwriting with base life insurance contract
Underwriting Classes	Multiple; generally offers some rated classes	Limited; tobacco and couples discounts available	Ranges from none to multiple	Multiple; generally offers some rated classes
Charges/Premium	Premium determined based on plan design; some limited pay options available	COI ² charge either taken from accumulation value like other policy charges or may be up-front in the form of payment; limited pay options available (single to 25 years varying by age of applicant)	Design options range from a COI charge taken from accumulation value to no COI charge but an administration fee to access the benefit and increased rate of death benefit acceleration	COI charge taken from accumulation value like other charges

LTC Planning Solutions (continued)

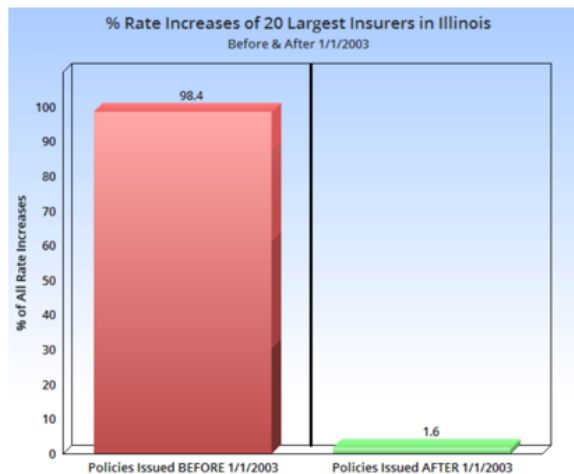
Category	Traditional Long-Term Care (LTC) Insurance	Linked Benefit (Life Insurance with Death Benefit Acceleration and LTC Extension)	Life Insurance with Chronic Illness (CI) Protection	Life Insurance with LTC Rider
Benefit Calculation	Determined based on plan design selected when applying	Monthly death benefit acceleration amount determined by time period selected and other benefit options (such as inflation); monthly LTC extension amount equals the monthly death benefit acceleration amount, but total benefit pool available is based on time period selected	Monthly benefit ranges from 2% to 4% of the death benefit; total CI benefit pool equals a percentage of the base life insurance policy, typically ranging from 10% to 100%	Monthly benefit ranges from 2% to 4% of the death benefit; total LTC benefit pool equals a percentage of the base life insurance policy, typically ranging from 10% to 100%
Impact on Death Benefit	N/A	Dollar-for-dollar reduction of the death benefit; base policy death benefit must be accelerated fully in order to access LTC extension pool	Design ranges from dollar-for-dollar reduction of death benefit to an increased reduction ratio of chronic illness benefit to death benefit (for example: \$1 for chronic illness = \$2 of death benefit)	Dollar-for-dollar reduction of the death benefit
Inflation and Other Options	Compound and simple inflation options; many other riders to enhance the overall benefit	Compound and simple inflation options; return-of-premium feature; some plans offer reduced paid-up benefits ³	No inflation options; maximum monthly CI benefit will track with IRS per diem	No inflation options; maximum monthly LTC benefit will track with IRS per diem

How Traditional LTC Insurance works

- Select a Monthly Benefit Amount
- Select a Benefit Period (create pool of money)
- Select an Inflation Increase %
- Example: 55 year old married female
- \$4,000 per month
- 5 year benefit period
- Total Benefit Pool: \$240,000
- Inflation Percentage: 3% compound for life
- Annual premium: \$2,540.57

Standalone LTC Insurance – Rate Increase History

- Important to consider when the policy was written
- Policies written after rate stability legislation (2003 in most states) tend to have fewer premiums increases (but were more expensive initially)
- Policies with unlimited benefits perform worse than policies with limits



Pennsylvania	
Increase for Policies with Limited Benefit Periods	Increase for Policies with Lifetime Benefit Periods
0%	10%
0%	10%

The Odds of Today's Standalone LTC Plans having premium increases according to the November 2016 SOA LTC Insurance Pricing Project

Pricing Point Year	Probability of a Rate Increase	Average Size of Rate Increase
2000	40%	34%
2007	30%	18%
2014	10%	10%



Reasons for current products being more premium stable:

- Plans have higher initial premiums
- More conservative mortality assumptions
- More conservative lapse rate assumptions
- More conservative interest rate assumptions
- Careful underwriting for morbidity

My personal experience with Traditional LTC

Purchased policy in 2002 at age 35

	Initial Benefits	Current Benefits	If I bought similar policy today (age 53)
Daily Benefit Maximum	\$150	\$261	\$260
Maximum Benefit	Unlimited	Unlimited	Unlimited
Inflation Protection	5% compound	5% compound	5% compound
Type of policy	Indemnity (Cash)	Indemnity (Cash)	Reimbursement
Annual Premiums	\$919.35	\$2,008.12	\$9,554.00

In-force policy management – decided to reduce existing benefits to mitigate impact of premium increases

In-Force Policy Reviews

- <https://www.ltcipartners.com/in-force-policy-review>



Your clients were smart and purchased LTC Insurance many years ago. However, is the policy still performing as advertised?

LTCI Partners can help through our complimentary policy review capability. We can help with things like:

- Rate Increase notifications
- Questions on carrier financial stability
- Determining if the policy covers the right types of home and assisted living care.
- Comparing the cost of care to the current policy benefits.

We will give unbiased advice that can give your clients piece of mind - or can lead to some changes in planning.

Simply complete the form on the right including a copy of the policy to get started.

To learn more about conducting a policy review, [check out this blog post](#):

Advisor First Name*

Tom

Advisor Last Name*

Rickie

Advisor Email*

trickie@hotmail.com

Client Name

Advisor Phone Number

Notes*

Describe the current policy and details of the rate increase. We will do a little research and one of our dedicated LTC professionals will get back to you.

Attach Your Policy For Review

Choose File

No file chosen

SUBMIT

How a Hybrid Life/LTC plans work



Lisa

At age 55, Lisa is a nonsingle nontobacco user who purchases a Nationwide CareMatters II linked-benefit insurance policy with a 6-year benefit and 3% compound inflation adjustment.

Premium: \$5,000 annually to age 100

Benefits in Years 1-2

Lisa receives the **acceleration of death benefit** as monthly benefit payments, income tax-free,¹ of up to \$3,697



+

Benefits in Years 3-6

Lisa continues LTC via the **Extension of Benefits Rider**, Lisa receives monthly benefit payments, income tax-free,¹ of up to \$3,697



=

Total benefits received

For 6 years, Lisa has received monthly benefit payments, income tax-free,¹ of up to

\$3,697 (Day one)

or up to

\$7,515 (Age 80)



Lisa's residual death benefit of 20% of the policy's specified amount is:

\$17,746



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What about a more affordable Life/LTC hybrid plans?

55 year old female:

Annual premium \$2,712 – guaranteed to age 100

Initial Monthly LTC Benefit: \$3,000

Monthly LTC Benefit at age 85: \$7,070

Initial LTC Benefit: \$72,000

LTC Benefit at age 85: \$172,218

Cash Surrender Value age 85: \$45,684

Death Benefit: \$72,000

Hybrid Life/LTC Products

- Characteristics of combination plans vs. stand-alone LTC
 - A large portion of linked benefit plans are single premium, but a recent move to limited pay; stand-alone is predominantly level pay
 - Most linked benefit plans are fully guaranteed, while stand-alone is almost always guaranteed renewable
 - The focus on chronic illness benefits for ADB only plans is secondary to life insurance
 - Linked benefit plans minimize the use of APS's and medical exams, streamlining the underwriting process and approval time
 - Significant pricing synergies for combo products
 - LTC is lapse supported, while many base plans are "persistency supported"
 - Lower mortality helps life profits, offsetting the opposite effect for LTC riders
 - 2012 SOA-sponsored research report quantifies the reduction in volatility of results under a range of adverse scenarios for linked benefit plans vs. stand-alone LTC

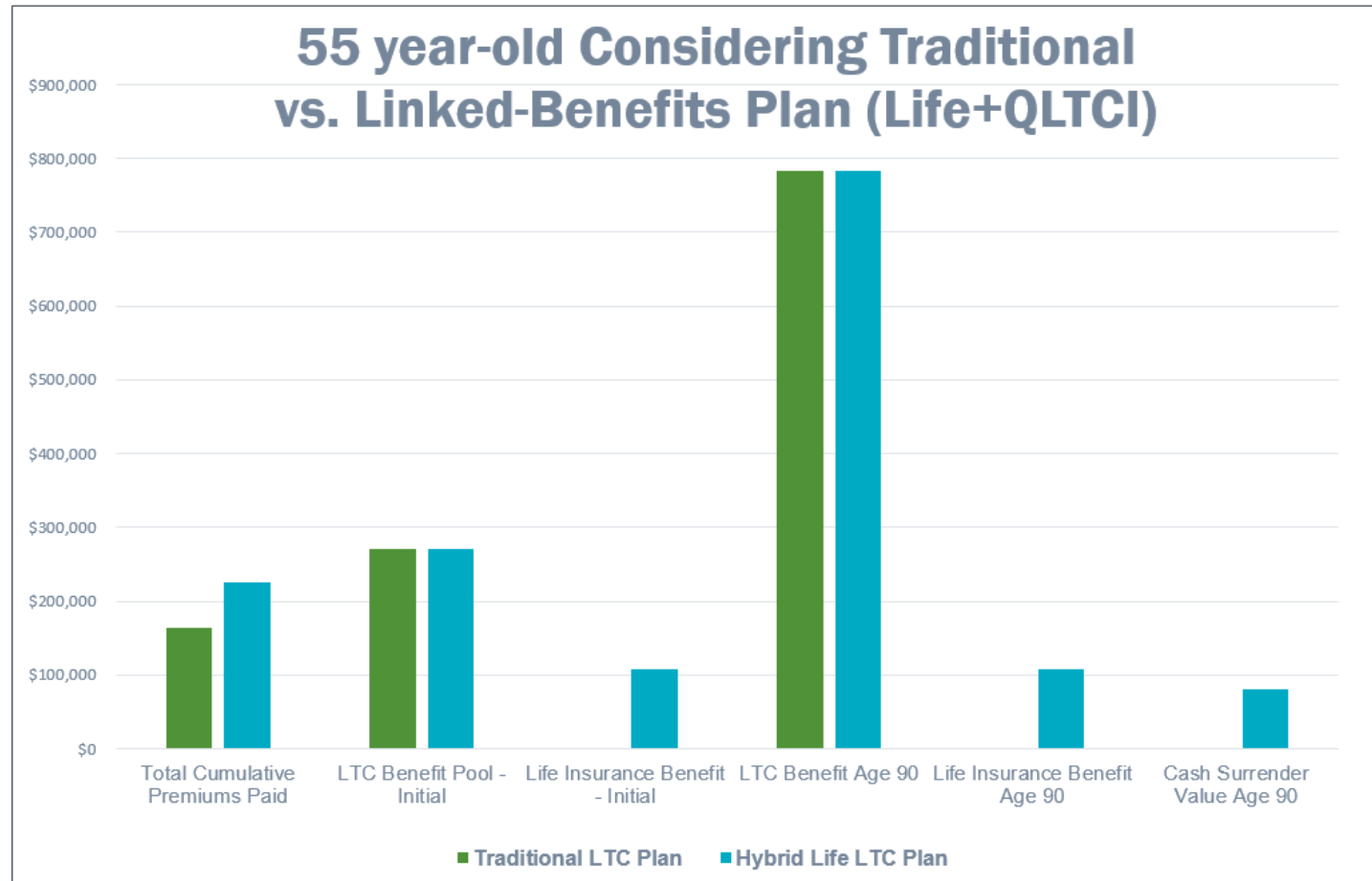
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Case Study 1 – 55 female



Plan Parameters	Traditional LTC Insurance Plan	Recent Hybrid Life/LTC Plan
Premium	\$4,696	\$6,423
Premium Payment Mode	Annual premiums for life	Annual premiums to age 100
Guaranteed Premiums?	No (guaranteed renewable and designed to remain level)	yes
Premiums waived if on LTC claim?	Yes	Life Insurance Premiums - No LTC Insurance Premiums - Yes
LTC Insurance Portion of Premiums	\$4,696	\$4,067
Initial Monthly LTC Benefit	\$4,500	\$4,500
Initial Total LTC Benefit Pool	\$270,000	\$270,000
Initial Death Benefit	n/a	\$108,000
Inflation Protection (automatic policy increases)	3% compound (both the monthly benefit & total pool of dollars grow automatically @ 3% compounded annually)	3% compound (both the monthly benefit & total pool of dollars grow automatically @ 3% compounded annually)
Monthly LTC Benefit at age 90	\$12,294	\$12,294
Total Benefit Pool Age 90	\$783,219	\$783,219
Death Benefit Age 90	n/a	\$108,000
Cash Surrender Value at age 90	n/a	\$79,948
Guaranteed Minimum Death Benefit	n/a	\$21,600
Type of Care Plan (benefits payable to policyholder)	Reimburses for professional home care, assisted living and skilled nursing. Provides an optional cash benefit of 30% of the monthly benefit amount. 90 day elimination period, waived for home care	Cash Indemnity program with full monthly LTC benefit paid to policy owner. 90 day elimination (deductible) period, paid retroactively in month 4

Sample Analysis



10



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What's the Best Fit?

- 1. How is the health of the client?** Insurability and field underwriting is the first step in LTC planning. Specifically, any memory-related or dementia issues will prevent LTC as an option – sometimes even if there is a family history.
- 2. How much coverage does the client need now *and* at age 90?** When you buy long-term care insurance you are buying a pool of money that can pay for care at home, an assisted living facility or a nursing home. Remember, the cost of care isn't the only factor that goes into determining benefits. You don't necessarily have to insure for 100% of the cost of care when other sources of income can also be used. In addition, investigate inflation options.
- 3. Are they comfortable with a large “deductible” for coverage?** Hybrid products combine self-insuring with insurance. As an example, if you have traditional LTCI and go on claim, most products waive premiums. On the other hand, if you purchased a 10-pay hybrid life/LTC product you may still have to pay the entire 10 premium payments, even if on claim, in order to get your full benefit.
- 4. Does your client have a need for life insurance later in life?** Life insurance is used for many things, including estate planning, business purposes or other specific needs. Linked life/LTC plans accelerate the death benefit to pay for long-term care – meaning the death benefit goes away or has a small residual amount. If life insurance is needed later in life, make sure that is considered.
- 5. Is your client comfortable paying for a pure protection product?** If someone is looking for “pure” long-term care insurance protection, then traditional standalone coverage offers the most leverage per premium dollar. As an example, a 55-year-old married man can get \$300,000 of LTC protection growing at 3% annually for about \$1,500. Adding something like a return of premium option upon death to a traditional product will help answer the “what if I never use it?” objection – but (a.k.a. life insurance) will increase premium at the same benefit level.

What's the Best Fit? (continued)

- 6. What is the client's planning budget?** Older standalone policies often offered unlimited lifetime and 5% compound inflation coverage at a reasonable (and in hindsight, underpriced) premium rate. Now the premium for that same benefit is going to be much higher. Because of that, often buyers of LTCI are choosing a reasonable and budgetable premium level and working into a plan design.
- 7. Are premiums guarantees important?** According to the 2016 Society of Actuaries Pricing Project, the current generation of traditional LTC policies has a very low chance of having substantial rate increases in the future. Both carriers and regulators have adjusted pricing and assumptions to a conservative level. However, for clients who are extremely risk-averse and concerned many of the linked life/LTC plans offer guaranteed premium rates.
- 8. Has the client accounted for the cost of informal long-term care?** There are two types of long-term care provided at home – care provided by professionals and informal care often provided by family members, such as an adult daughter. The impact of informal care can be great. Often the caregiver will have to take time off of work and sacrifice income. An LTCI plan that pays for informal care regardless of who is doing the caregiving is going to give more flexibility, but such plans will also cost more.
- 9. Can you use the tax advantages of LTCI?** Does the client own a business or are they self-employed? Do they have a health savings account? Traditional LTCI can allow for some great premium deductions in many cases.
- 10. What's the financial strength and reputation of the carrier?** Ratings services can provide guidance. Remember, agents can't discuss the state guarantee funds that can provide backstop protection for coverage. ♦

Summary of Comparisons

- Stand-alone LTC insurance offers the most LTC benefits for a given premium outlay
- Combination life designs offer essentially the same LTC benefit, along with an option for consumers to get more than their premium back if they die or surrender without using any LTC insurance, but the premiums are higher than for stand-alone LTC
- Combination annuity designs also offer a similar level or more LTC benefits, but require a large initial single premium. A common design grows the single premium at a credited rate less a charge for the LTC coverage.
- Significant pricing synergies for combo products
 - LTC is lapse supported, while many base plans are “persistency supported”
 - Lower mortality helps life profits, offsetting the opposite effect for LTC riders
 - 2012 SOA-sponsored research report quantifies the reduction in volatility of results under a range of adverse scenarios for linked benefit plans vs. stand-alone LTC

Indemnity versus Reimbursement Benefits



INDEMNITY STYLE VS. REIMBURSEMENT BENEFITS



The policy you choose can affect how much control you have in receiving your benefits.

INDEMNITY

Full monthly payment sent directly to policy owner

Generally no monthly bills or receipts to collect¹³

Benefits not needed for LTC expenses can be used for any purpose

REIMBURSEMENT

You are reimbursed the lesser of your monthly benefit amount OR your LTC costs — no excess

Facility may be able to bill insurance company directly for the qualifying expenses

Insured has to pay non-qualifying charges out of pocket

Tax Advantages of LTC Insurance

- Look for 7702b coverage – traditional LTC Insurance and Life/LTC plans (not chronic care)
- Premiums deductible up to certain limits – treated as health insurance
- Premiums deductible for couples
- Benefits received tax free for LTC expenses

Benefits for:

1. Business Owners – self-employed, S-Corporation owners
2. C-Corporations
3. Individuals who can deduct medical expenses
4. Health Saving Account owners

Key for Linked Life/LTC plans – premiums must be a separate charge – not a deduction from a cash surrender value

Separately Identifiable Premiums

*Each of the 4 components of CareMatters II is paid for with **separately identifiable premiums**, not a deduction from cash value*

Life insurance * **LTC Rider** * **Extension of Benefits** * **Inflation Rider**

Results of this structure are:

1. Paying **LTC premiums** causes no cost basis reduction
 - No annual 1009-R reporting
 - If policy is surrendered, no 1099-R reporting phantom gain
 - The policy may have accumulation of cash at some point, creating real gain that would be taxed as ordinary income if the policy was surrendered.
2. LTC premiums are:
 1. HSA eligible and potentially tax deductible for individuals
 - Up to age based limits
 2. Tax deduction opportunities for businesses
 - Deduction varies based on the structure of the business



Care Matters II is the ONLY Nationwide LTC product with separately identifiable LTC premiums



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Tax Deduction Limits

The following chart shows the recent history of age-based IRS tax deductible limits and HSA distribution limits for LTC premiums paid.

Attained age before end of tax year	2017	2018	2019
40 or under	\$410	\$420	\$420
41-50	\$770	\$780	\$790
51-60	\$1,530	\$1,560	\$1,580
61-70	\$4,090	\$4,160	\$4,220
71+	\$5,110	\$5,200	\$5,270

A female, age 48, non-smoker who is married and wants the maximum LTC coverage (minimum ROP) purchases a CareMatters II policy with a 6-year benefit and 3% U.S. Medical Inflation (3% compound inflation would be the same cost). She will pay premium to attained age 100. The premiums for her policy are as follows:

Life insurance premium	\$1,392
LTC rider premium	\$141
LTCEB rider premium	\$314
Inflation rider premium	\$1,653
Total premiums due for the policy	\$3,500
Total LTC premiums paid	\$2,108

Health Savings Accounts LTC Insurance

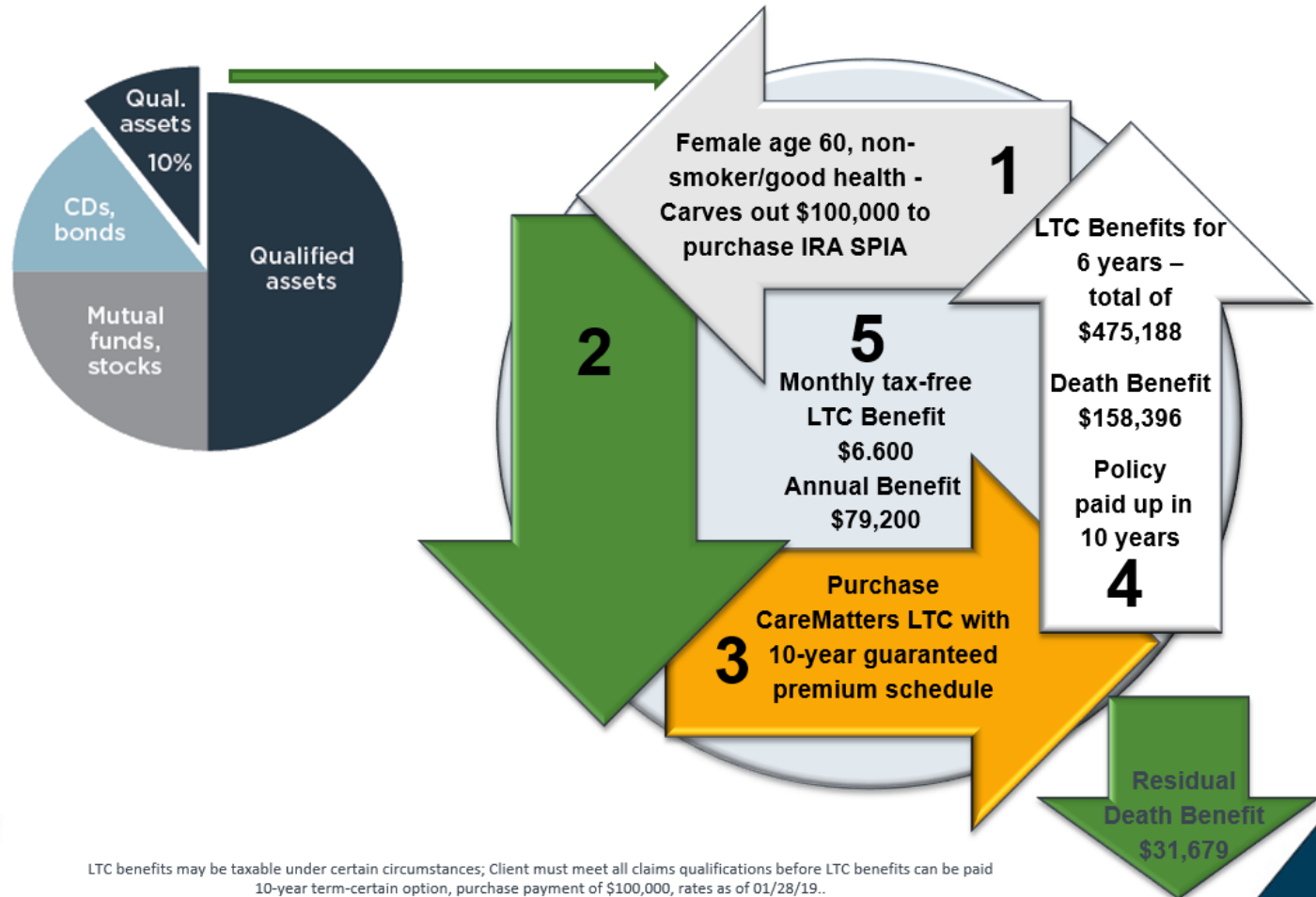
- HSA owners can use funds to pay LTC premiums – subject to age based limits
- Way to pay LTC premiums with pre-tax dollars

Tax Advantages of LTC Insurance – 1035 Exchanges

- Clients with existing Life policies may be eligible for tax free exchanges of coverage

	To Life Insurance with or without a LTC Rider; or Life insurance based Linked Benefit LTC	To an Endowment Contract	To Annuity based LTC Coverage	To a Traditional LTCi policy
From Life Insurance with or without a LTC Rider; or Life insurance based Linked Benefit LTC	Yes	Yes	Yes	Yes
From an Endowment Contract	No	Yes	Yes	Yes
From Annuity based LTC coverage	No	No	Yes	Yes

Use **IRA distributions** to fund CareMatters



LTC benefits may be taxable under certain circumstances; Client must meet all claims qualifications before LTC benefits can be paid
10-year term-certain option, purchase payment of \$100,000, rates as of 01/28/19..

This strategy should only be used for individuals at least age 59 ½ to avoid early withdrawal penalties.

Term certain payouts to owners under the age of 59 ½ do not comply with IRC Section 72T because payments are not based on life or life expectancy.

IRA distributions to fund CareMatters..... Potential Outcomes



- Helps protect portfolio from depletion due to LTC expenses
- Tax management
 - Tax is paid now on distribution
 - Distributions are leveraged into tax-free LTC benefits for policy owner
 - If LTC benefits are not needed, beneficiaries receive a tax-free death benefit at least equal to (or more) than premium paid
 - By reducing qualified account balance, may result in less RMDs to take at age 70 ½
- If death occurs prior to the CareMatters policy being paid up.....
 - The death benefit is paid tax-free to the beneficiaries, AND
 - The remaining term certain annuity payments are paid to the beneficiaries (fully taxed)



Do you have to use Qualified Funds?

CareMatters II can be purchased with many types of assets and income – often directly with a single premium or shorter pay period

Asset or income to look for	Any Age	Peak Inc. 40-55	Pre-retirees 55-67	Retirees 62 plus
CDs that are maturing	★	★	★	★
Recent inheritance	★	★	★	★
Bonds maturing or that are called	★	★	★	★
Excess annual liquidity	★	★	★	★
Peak earner with excess income	★	★	★	★
Proceeds from selling a business		★	★	
Income from assets not needed		★	★	★
Annuities not needed for income ¹			★	★
Sale from downsizing/selling home			★	★
Low yielding asset			★	★
Roth IRA funds not needed ²			★	★
Social Security not needed			★	★

¹10% penalty applies to any taxable gain withdrawn prior to age 59 ½

²IRA account must be in place at least 5 years, and to avoid penalties on distributions, the account owner should be at least 59 ½ years old

LTCI Partners Product Offerings

Traditional LTC	Linked Life/LTC Plans (extension of benefit riders)	Plans for employer groups
Mutual of Omaha	Nationwide	Mutual of Omaha
Transamerica	Lincoln Financial	Transamerica
National Guardian Life	OneAmerica	National Guardian Life
Thrivent Financial	Pacific Life	LifeSecure
Mass Mutual	Securian	

LTCI Partners Services

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- Fact-finding
- Field underwriting
- Plan design consulting
- Product recommendation
- Competitive analysis

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- Virtual point-of-sale-support
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- Case management

SERVICE

- Policyholder service and support
- Rate increase consulting



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