

# WHAT'S YOUR PLAN? END-OF-YEAR LTCI STRATEGIES FOR CLIENTS

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Presented by

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**KRAUSE** AGENCY



# ABOUT US

The Krause Agency is a national wholesaler of Medicaid Compliant Annuities, long-term care insurance, Medicare products, and other insurance products designed for the senior market.

We help financial and legal professionals bring long-term care solutions to their aging clients.



**30+**

Years of  
Experience



**400+**

Clients Helped  
Monthly



**1,300+**

Active Agents and  
Attorneys

# TODAY'S GOALS

1. Discuss the importance of planning for long-term care
2. Explore the options available for insuring against a long-term care need.
3. Identify the benefits of long-term care insurance.





# PLANNING FOR LONG- TERM CARE

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# THE IMPORTANCE OF PLANNING

- Making a long-term care plan is **more than just buying insurance**, updating a will, or preparing powers of attorney.
- It's about **mapping your own course** and living life on your terms.
- It's considering **what you'll need to live independently** for as long as possible and includes thinking about your home and community, your health and finances, and even your medical wishes.
- ***You are in control of your life now. Don't leave these important life decisions to someone else. Small steps now will secure a safer, happier future based on your needs, wants, and desires.***

# WHY DO WE PLAN?

- With Americans living longer than ever, **most of us will need some extra help** with everyday activities as we age.
- The benefits of long-term care insurance (LTCI) **go beyond** what your health insurance may cover.
- LTCI reimburses you for services needed to help you maintain your lifestyle if **age, injury, illness, or a cognitive impairment** makes it challenging for you to take care of yourself.



*The best time to plant a tree was 20 years ago. The second-best time is now.*

- Chinese Proverb

# THE RISK OF LONG-TERM CARE

- According to the U.S. Department of Health and Human Services, **over 50% of adults who are turning 65 today** will require some type of long-term care (e.g., home health care, a nursing home stay, or time in an assisted-living facility) during their lives.
- These are costs that are **NOT covered by Medicare.**
- Medicaid requires beneficiaries to **spend down their assets** (usually \$2,000 for a single person) and have limited income as well.

# THE NEED FOR PLANNING

## Nursing Home

PRIVATE ROOM IN  
MEDICAID-APPROVED  
FACILITY

\$116,555/yr

## Assisted Living

1 BEDROOM

\$63,337/yr

## Home Care

40 HOURS PER WEEK

\$60,570/yr

*How long could a client support this outlay of assets?*



# KNOWLEDGE CHECK

*What covers long-term care costs?*

- A. Long-term care insurance
- B. Medicare
- C. Health insurance
- D. Medicaid



# LONG-TERM CARE INSURANCE

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# WHO DOES LTCI BENEFIT?



**Families** who want to help protect their loved ones, lifestyle, and assets.



**Retirees and pre-retirees** who want to preserve the money they have worked so hard to save.



**Individuals** who may not have someone to care for them or significant assets to pay for these costs.

- Plus, long-term care insurance plans with appropriate inflation riders can actually grow to **combat the negative impact of inflation.**

# WHEN TO PURCHASE LTCI

- **Health and wealth** are the two levers that dictate eligibility.
- The **younger** the better.
- At least **8 weeks before** a claim situation arises
- In the absence of a crystal ball, **NOW!**
  - *You can't buy homeowners insurance when the house is on fire!*
- ***Still not sure? We can help find the right options for your client.***

# STARTING THE LTCI DISCUSSION

- As we approach the end of the year, many clients may **plan an annual review** with their financial advisor, estate planner, and/or attorney.
- Have you addressed **long-term care and long-term care insurance** as additional planning considerations?
- What is your plan **if you needed care** starting tomorrow?

# WHAT IS LONG-TERM CARE?

**Cognitive  
Impairment**



**Activities of  
Daily Living**



# WHAT IS LONG-TERM CARE INSURANCE?

- **Traditional LTCI**
  - Stand alone, 7702(b) reimbursement plan
- **Asset Based LTCI**
  - Shifting existing assets as a stop-loss
- **Life Insurance with Long-Term Care Rider**
  - Combining life and long-term care protections under one umbrella
- The concept of **“LIVE, DIE, QUIT”**

# LONG-TERM CARE VS. LTCI

*They are not the same!*

## Long-Term Care

Expensive financially

Can be physically,  
emotionally, and  
professionally devastating  
for unpaid family caregivers

## Long-Term Care Insurance

Can be inexpensive

A stop-loss against financial catastrophe  
A tool to mitigate or eliminate financial risk  
Protects those who we want to  
protect the most



# KNOWLEDGE CHECK

*When is the best time to purchase long-term care insurance?*

- A. When care is required
- B. After retirement
- C. Now



# BENEFITS OF LTCI

# WHY ADD LTCI TO YOUR PORTFOLIO?

- Healthcare costs are the **#1 cause of bankruptcy** among seniors.
- Benefits to clients:
  - *Avoid being a burden on your family.*
  - *Preserve your estate and legacy.*
  - *Maintain your independence.*
  - *Avoid welfare (Medicaid).*
  - *Avail yourself of quality care.*

# TAX-QUALIFIED LTCl PLANS

- Since 1997, the federal government has offered **tax breaks** to all who purchase tax qualified long-term care insurance policies.
- **Nearly all states also offer incentives** for those who purchase private long-term care insurance.
- The two primary incentives are:
  - *State credits or deductions*
  - *Asset-retention incentives via State Partnership LTCl policies*

# STATE PARTNERSHIP LTCI PLANS

- Allows LTCI policyholders to **shelter additional assets**, dollar for dollar, based on benefits paid by the carrier
- Maintain **Medicaid eligibility** without having to spend down assets
- Protect **family and financial legacy**

# HEALTH SAVINGS ACCOUNTS

- The IRS announced that the health savings account (HSA) **contribution limits will increase significantly** for 2023 in response to the recent spike in inflation.
- Individuals who own qualified LTCI can use the pre-tax money in their HSA accounts to **reimburse themselves** the cost of their LTCI premium.
  - *The reimbursable amount through an HSA is based on the same LTCI-allowed tax deduction aged-based IRS chart. However, you cannot take both a tax deduction AND use pre-tax money for LTCI. The taxpayer must select one or the other.*
- Many employers are offering HSAs to lower the cost of health insurance for their employees. **Many people are unaware** that the pre-tax money in an HSA can pay for qualified LTCI premiums.
- For 2023, you can contribute **\$3,850 for individual coverage or \$7,750 for family coverage**. Those age 55 and older are allowed an additional \$1,000 contribution for “catch-up.”

# HEALTH SAVINGS ACCOUNTS

- In addition to LTCI premiums, HAS funds can be used to **pay for qualified medical expenses** like deductibles, prescriptions, and over-the-counter medications.
- Money from an HSA is tax-free, and money inside the account grows tax deferred. If all the funds are used for qualified health and medical expenses, you **never pay any tax** on the money.
- Employer HSA contributions are **not treated as taxable income** but do count toward employees' annual contribution limit. Unlike Flexible Spending Accounts, the money in an HSA account is yours forever, and you are not required to spend all the money by the end of each year.

# SELF INSURANCE IS RISKY

- Without long-term care Insurance, you will pay for future long-term care from **income and savings**, or your family will become caregivers.
  - *In some situations, you may have both paid care and family caregivers. Neither option is ideal, and the consequences on family and finances can be enormous.*
- Affordable LTCL **safeguards your retirement accounts** (401(k), IRA, SEP) and other assets while also reducing the stress otherwise placed on your family members.



# WHAT ABOUT HEALTH INSURANCE AND MEDICAID?

- Traditional health insurance, including Medicare and supplements, will **only pay for a small amount of skilled care** and nothing toward custodial care, which is the type of care most people will require.
- Medicaid will pay for long-term care services, but only if you have **little or no assets**.

# WHY LONG-TERM CARE INSURANCE?

- Premiums are **tax deductible**.
- **Preserve** estate and legacy.
- Avoid **relying on welfare** programs.
- Maintain **independence and control**.

# END-OF-YEAR TAX CONSIDERATIONS

- Submit **payment with application** if possible.
- Pay for the plan or shift assets and **take the tax deduction**.
- **Reduce your current year** tax burden.

Attained Age Before End of Tax Year	2021 Tax Year	2022 Tax Year	2023 Tax Year
40 or younger	\$450	\$450	\$480
41-50	\$850	\$850	\$890
51-60	\$1,690	\$1,690	\$1,790
61-70	\$4,520	\$4,520	\$4,770
71 and older	\$5,640	\$5,640	\$5,960

# ADDITIONAL TAX ADVANTAGES TO LTCI OWNERSHIP

- Benefits paid under a qualified long-term care insurance policy are **generally excluded from taxable income**.
- However, some indemnity or cash products that pay a daily or monthly benefit without regard to actual bills are **subject to a per diem limitation of \$420 per day** for the tax year 2023.
- Unless there are bills to support the higher amount, benefits over that amount are **subject to taxation**.

# MAKE YOUR MONEY WORK FOR YOU



Shift money from one corner of the vault to another.



Utilize inefficient money as a growth vehicle.



Stop-loss feature for those who desire to self-insure

# AVOID PROCRASTINATION

- No one plans to fail, but one can **fail to plan**.
- Avoid the **long-term care pitfall**.
- *The key is to be proactive!*

# WE CAN HELP

- Krause is here for **all your long-term care planning needs.**

## **Pre-Planning**

Long-Term Care Insurance

Funeral Expense Trust

## **Crisis Planning**

Medicaid Compliant Annuity

Funeral Expense Trust

# KNOWLEDGE CHECK

*Most states offer tax incentives for purchasing long-term care insurance.*

A. True

B. False



# WHERE CAN I LEARN MORE?

- Gain additional insight into LTCI and other planning techniques with our **2023 Agent Guide!**
- The LTCI Agent Guide includes an in-depth look at:
  - *LTCI policy options, benefits, and strategies*
  - *Adding LTCI to your business*
  - *How to discuss LTCI with clients*



Order your **FREE** copy at  
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# QUESTIONS

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# THANK YOU!

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