

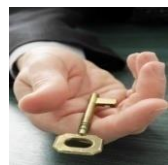
Twin Cities Financial & Estate Planning Council
03/17/2015

What Are You Missing With Long Term Care Planning?



Deb Newman,
CLU, ChFC, LTCP
Owner & President
Newman Long Term Care

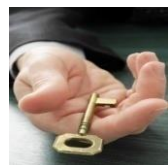
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Reasons For Planning

- Longevity
- Diminishing Availability of Caregivers
- Probability

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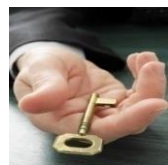
Women of Fifty



**A woman who reaches 50 today,
and remains free of cancer and heart disease,
can expect to see her 92nd Birthday**

Gail Sheehy, author New Passages – Mapping Your Life Across Time, May 28, 1996

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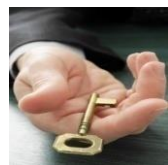


Care Givers

-
- **29% of the US population provide care for a chronically ill, disabled, or aged family member or friend during any given year and spend an average of 20 hours weekly providing care for a loved one.**

National Alliance for Caregiving / AARP November 2009

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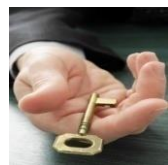
Impact on Family & Society

¹For those in the high-risk years of 80 plus:
A recent AARP study projected a dramatic
decline in the caregiver support ratio from
7 potential caregivers in 2010
to
4 potential caregivers in 2030

Who Are Your 4 people?

¹ D. Redfoot, L. Feinberg, and A. Houser. The Aging of the Baby Boom and the Growing Care Gap: A Look at Future Declines in the Availability of Family Caregivers. AARP Public Policy Institute. August 2013.

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Role of Family Caregivers

Most long-term care is provided, unpaid, by family members and friends.

Estimated economic value of unpaid caregiving:

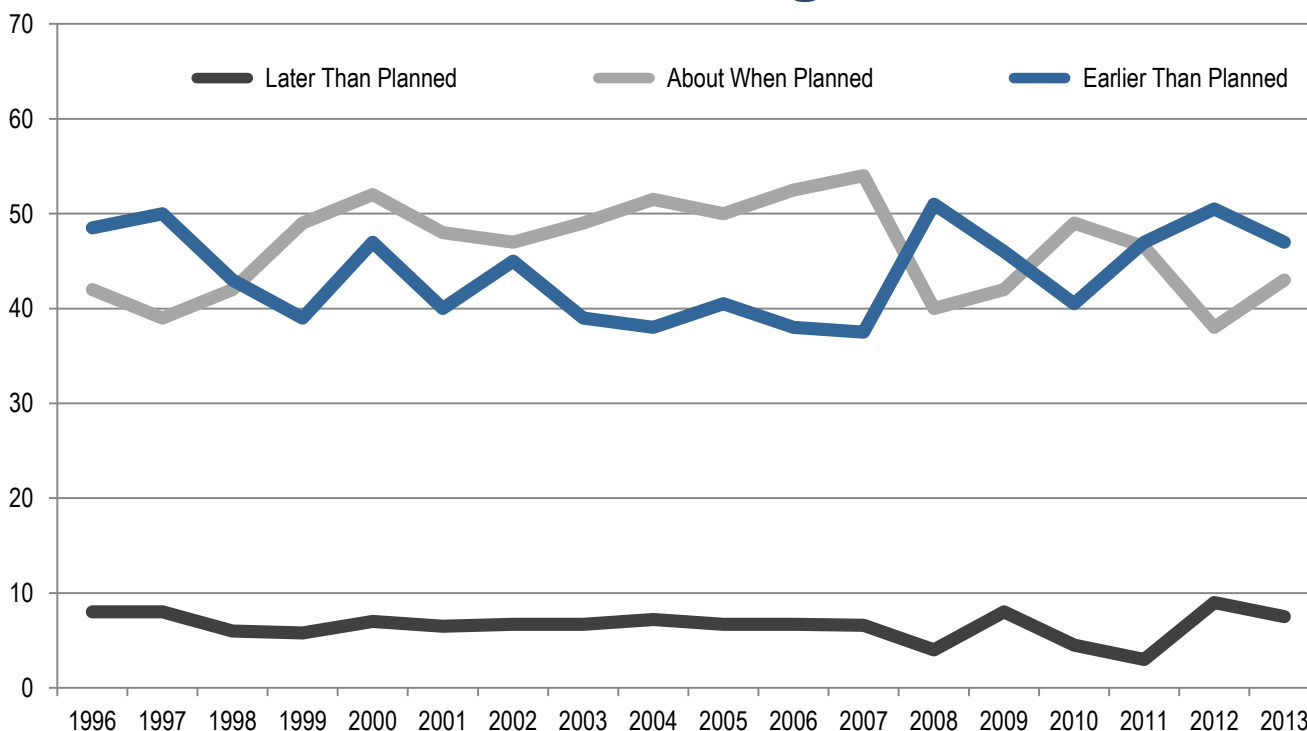
- 2007 \$375 Billion
- 2009 \$450 Billion

Feinberg L, Reinhard S, Houser A, Choula R. Valuing the Invaluable: 2011 Update: The Growing Contributions and Costs of Family Caregiving. 2011; <http://assets.aarp.org/rgcenter/ppi/ltc/i51-caregiving.pdf>. Accessed November 8, 2012.

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Retirement Timing



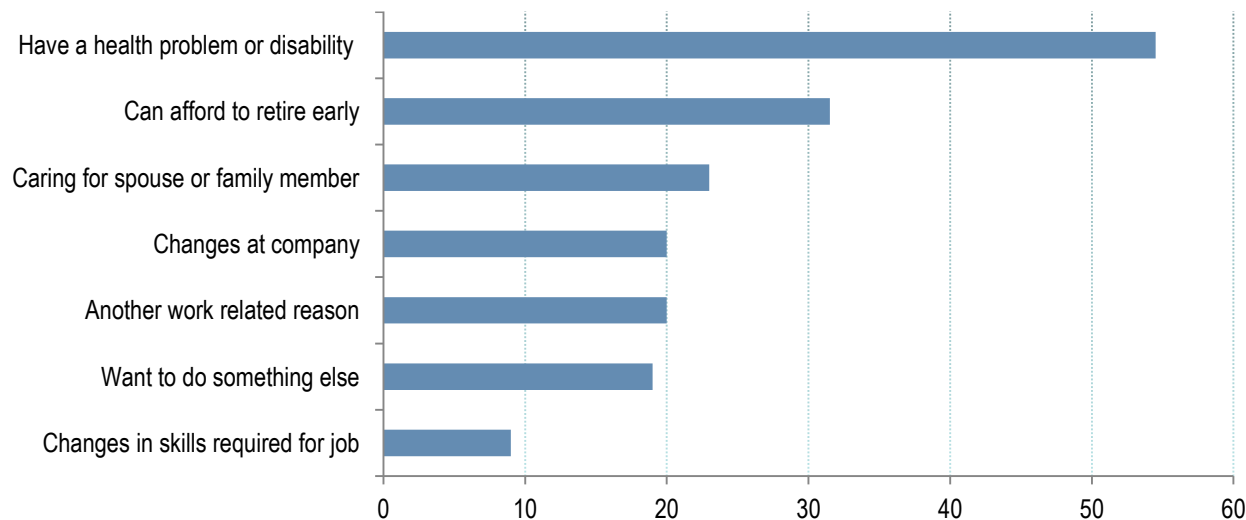
Closing the Retirement Expectations "Gap:" Variations in Demographics, Sources of Information, and the Implications of a "Bad Guess", by Nevin E. Adams, JD and Jack L. VanDerhei, PhD. Journal of Financial Service Professionals / January 2014 - Data Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

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Retirement

Reasons For Retiring Earlier Than Planned



Closing the Retirement Expectations "Gap:" Variations in Demographics, Sources of Information, and the Implications of a "Bad Guess", by Nevin E. Adams, JD and Jack L. VanDerhei, PhD. Journal of Financial Service Professionals / January 2014 - Data Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2013 Retirement Confidence Surveys.

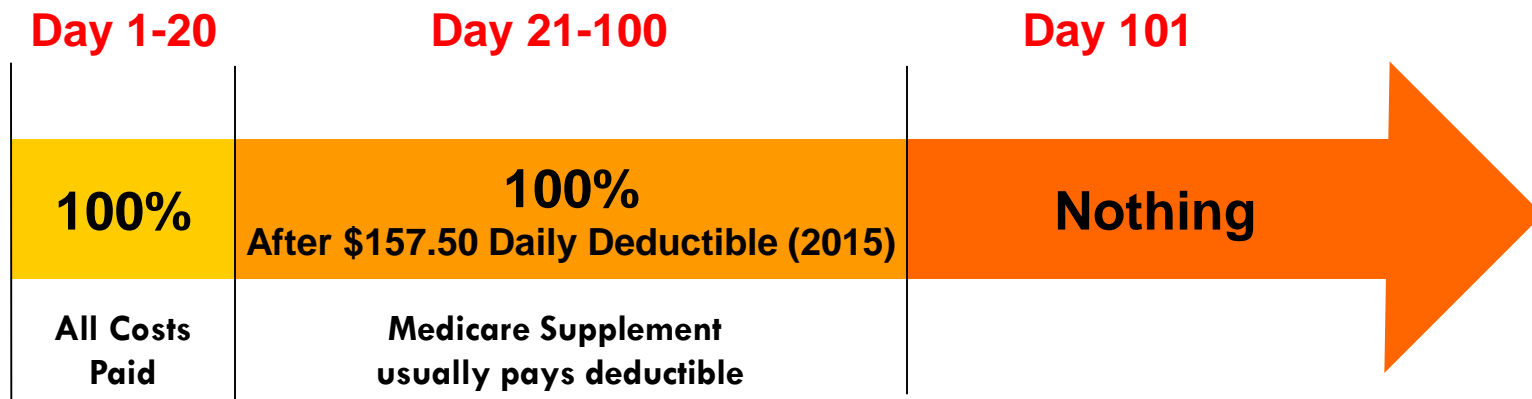
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MEDICARE

Conditions for Coverage in a Nursing Home

- Prior hospital stay of three days
- Admitted to a nursing home within 30 days for same medical condition
- Require skilled nursing care or rehabilitative care
- Facility must accept Medicare



Medicare average covered days: USA 27.4 days

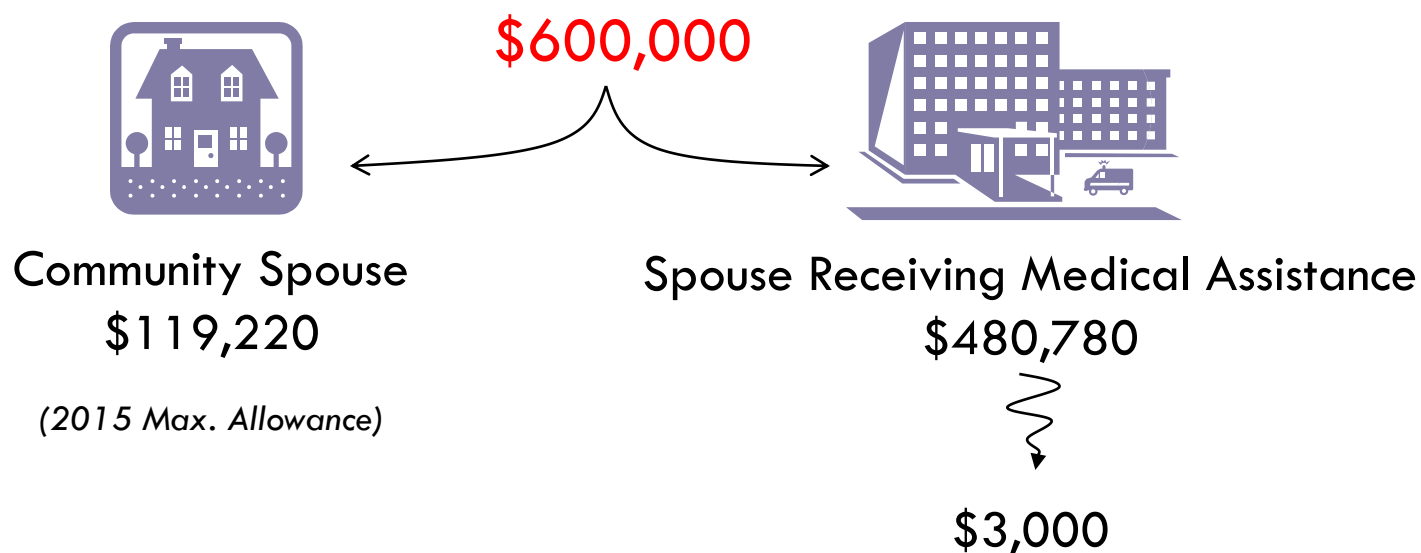
MN 27.3 days

The Official U.S. Government Site for Medicare (www.medicare.gov)

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MEDICARE & MEDICAID LIMITATIONS



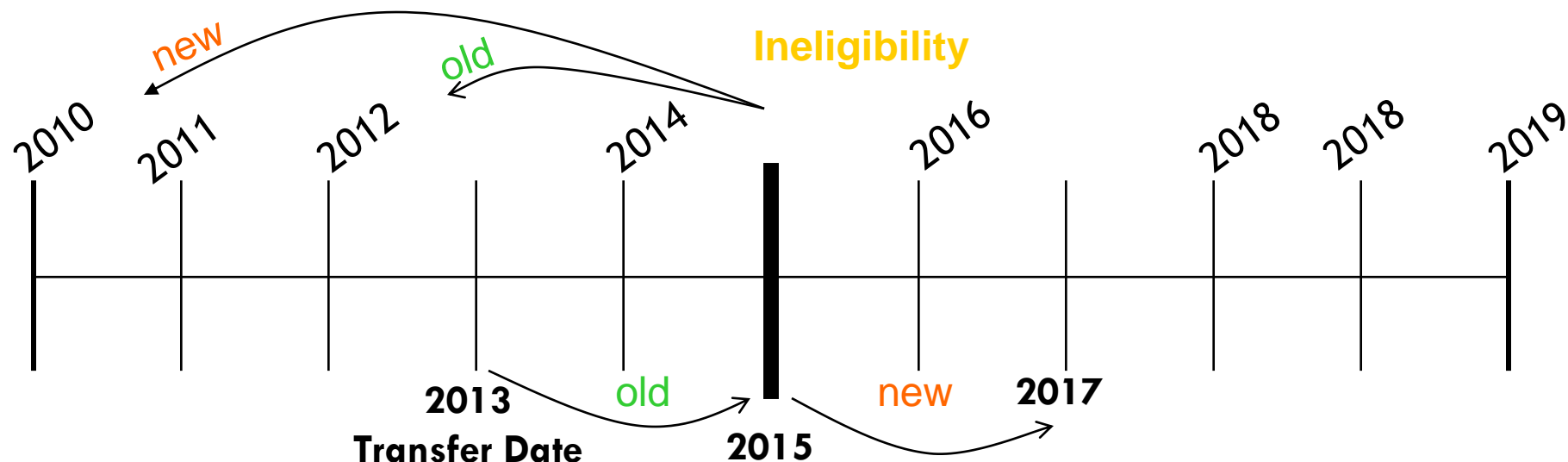
This example is based on Minnesota. Check other states for exact allowance.

MN Department of Health

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MEDICARE & MEDICAID LIMITATIONS

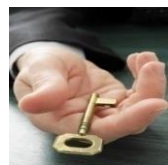


$\$100,000 \text{ Transfer} \div \$5,660 \text{ (through June 2015)} = 17.66 \text{ Months}$

This is Minnesota example. Check other states for exact allowance.

MN Department of Health

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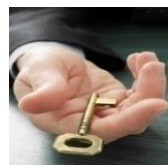


MN Annual Cost of Care

Long Term Care Costs		Median State MINNESOTA
Home Care		
Homemaker Services 2014		\$52,624
Cost in 30 Yrs		\$127,732
Home Health Aide 2014		\$58,916
Cost in 30 Yrs		\$143,005
Adult Day Health Care		
Adult Day Health Care 2014		\$18,720
Cost in 30 Yrs		\$45,438
Assisted Living Facility		
Private, One Bedroom		\$40,830
Cost in 30 Yrs		\$99,105
Nursing Home Care		
Semi-Private Room		\$83,264
Cost in 30 Yrs		\$202,104
Private Room		\$88,542
Cost in 30 Yrs		\$214,915

© Genworth Financial, Inc. and National Eldercare Referral Systems, LLC (CareScout®). www.genworth.com/cocpro. State Median Calculations.

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Four Simple Decisions

1. Monthly Benefit
2. Maximum Benefit
→ Shared Care
3. Deductible
4. Inflation





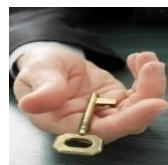
In The Minds of Consumers

\$4,500

\$2,400

\$7,000

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Home Care

Where is care received?

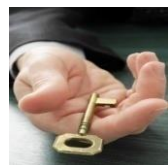
Industry Averages:

Home Care	51%
Assisted Living	18.5%
Nursing Home	30.5%

Source: AALTCI 3013-2014 Sourcebook

More than 70% of Genworth's claimants are seeking home care services

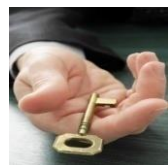
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Home Care

Home Maker Services		
National Median Hourly Rate \$19	5 Year Annual Growth 1.20%	Monthly Cost (44 hours weekly) \$3,622
Home Health Aide Services		
National Median Hourly Rate \$20	5 Year Annual Growth 1.32%	Monthly Cost (44 hours weekly) \$3,765

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MN Income Tax Credit

- **Annual Credit up to \$100 for the purchase of long term care insurance.**
- **Tax payer may receive credit of 25% of their paid premium up to the maximum of \$100 for a single taxpayer and \$200 for a married couple.**
- **Qualification for the tax credit requires the long term care insurance policy be tax-qualified and have a lifetime benefit of \$100,000 or more.**

MN Office of Reviser of the Statutes – Statute #290.0672 Long Term Care Insurance Credit

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Taxation

Standards

HSA Withdrawal

- Individual purchasers may pay premiums from their employee Health Savings Account on a tax free basis.

Department of the Treasury Internal Revenue Service

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Taxation

Standards

Individual Purchaser Deductions

- Medical and dental expenses that exceed **10%** of adjusted gross income are deductible going forward from **2013** .
- Taxpayers may include eligible LTCI premiums as part of their medical expenses.

Department of the Treasury Internal Revenue Service

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Taxation

Standards

Deductible Subject to the
10% AGI Rule

Eligible Age Indexed LTC Premium Amounts

Attained Age Before Close of Tax Year	2014 Tax Year	2015 Tax Year
40 or younger	\$ 370	\$ 380
41-50	\$ 700	\$ 710
51-60	\$1,400	\$1,430
61-70	\$3,720	\$3,800
71 and older	\$4,660	\$4,750

Benefits are TAX FREE

Department of the Treasury Internal Revenue Service

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Taxation

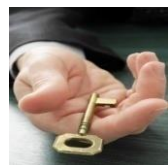
Standards

Receiving LTCI Benefits (On Claim)

- Benefits paid under a qualified LTCI plan are generally excluded from taxable income.
- The stated dollar amount of the per diem limitation is \$330 in 2015.

Department of the Treasury Internal Revenue Service

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Taxation

Standards

Tax Guidelines For Businesses

All Companies

- Employers have the option of covering certain employee classes.
- An employee, their spouse and dependents may be covered and receive the same tax advantages.
- Employer-paid premiums for employees, spouses, and dependents are generally excluded from an employee's income for tax purposes. Coverage for retirees, their spouses and dependents will also often qualify as a legitimate business expense deduction.

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Taxation

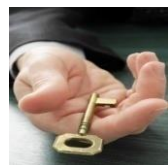
Standards

Tax Guidelines For Businesses

C-Corporations and Non-Profit Organizations

- May deduct the entire premium amount for employees, their spouses and dependents.
- There are no premium limitations.
- Premiums are not reported as income for the employees.

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Taxation

Standards

Tax Guidelines For Businesses

Self-Employed Individuals


(Including LLC, PA, S-Corps. and Partnerships)

- The 2% (*or more*) owners of these entities may deduct 100% of the **eligible (age indexed)** LTCI premiums on the personal 1040 form. This includes premiums paid on their behalf, their spouses and dependents for Tax Qualified LTCI policies.
- Please refer to the age indexed chart for eligible premiums.
- Non-Owner Employee premiums are still deductible by the employer.

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Buy Or Invest Case Study



Debra Newman, CLU, ChFC, LTCP
 Founder
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 Toll Free: 800-625-9267
 E-Mail: DebN@NewmanLTC.com

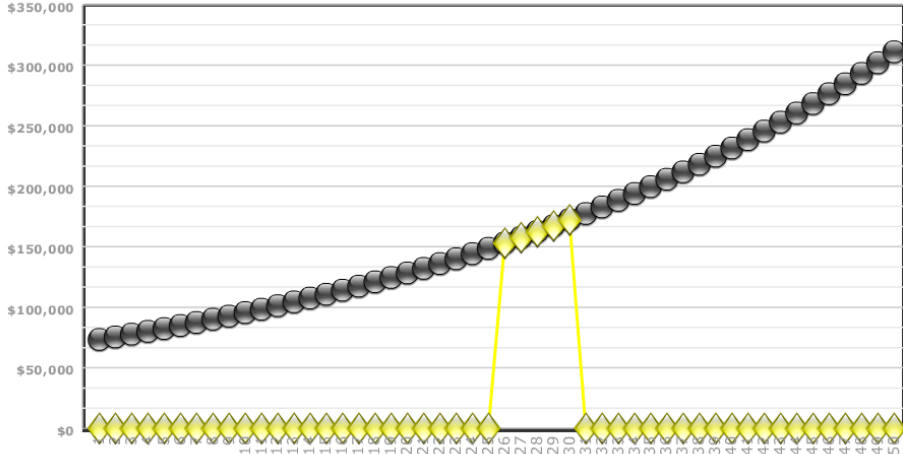
Contact Us

Click Me First! 

Long Term Care Financial Scenario

LTC Costs Today LTC Insurance ROI Life Expectancy

Projected Future Cost of Long Term Care



● Projected Annual Cost of Care ◆ Projected Annual Cost in Year Care is Required

Capital Required Today to Fund the Future Care Total Cost of Future Care

\$270,399 \$811,479

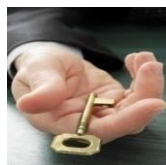
"The future cost of long term care can be a financial disaster, not only for the person requiring care, but can also be devastating to the financial well being of the surviving family members."

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Legal Disclaimer
 License Agreement
 Advisors Exp: 1/5/2016

Financial Scenarios LLC

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Buy Or Invest Case Study

Daily Benefit	Capital Required Today	Projected Rate of Return	
\$200	\$270,399	4.00%	
Annual Investment	Annual LTCI Premium	Projected # of Premiums	Total Premiums
\$2,130	\$2,130	26	\$55,380
Growth	Net Present Value of LTCI Premiums		Monthly Benefit at Claim
5.00%	\$34,463		\$13,000
Year of Need	Annual Premium % of Capital Required		Months to Return Premiums
26	1.27%		4.26 With 0 Day Home Health Care Waiting Period
Care Purchased 5 Years			

Financial Scenarios LLC

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Estate Planning Case Study

Dick & Jane – Ages 54 & 52

Scenario 1 - Fund With Insurance or Assets and Investment

Assumptions		Key Projections	
Care Assumptions		Care	
Care Years	5	Long Term Care Cost	\$811,479
Beginning Year	26	Investment Opportunity Cost	\$342,610
Current Daily Cost	\$200	TOTAL ECONOMIC COST OF CARE	\$1,154,090
Inflation Rate	3%		
Plan Period	36 Years		
Insurance Plan Design		Premium	
Policy Type	Reimbursement	Paid to Insurance Company	\$163,579
Elimination Period	0	Investment Opportunity Cost	\$118,167
Daily Benefit	\$200	TOTAL ECONOMIC VALUE OF PREMIUM	\$281,746
Benefit Period	5 Years		
Inflation Type & Rate	3% Compound		
Dual Waiver & Survivorship			
Insurance Premium			
Total	\$2,130 & \$3,559		
Advanced Planning Assumptions			
Investment Return	4%		



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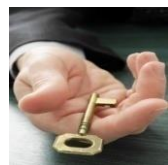
Estate Planning Case Study

Dick & Jane – Ages 54 & 52

Scenario 1 - Fund With Insurance or Assets and Investment

\$1,154,090		\$281,746
No Insurance		With Insurance
		

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Multiple Solutions

- **Traditional Long Term Care Insurance**
- **Asset-Based + Long Term Care Benefits**
 - Life Insurance
 - Annuities
- **Traditional Life Insurance + LTC Rider**
 - *Be Aware = difference between true LTCI (7702B) vs. Critical Illness Riders (101g)*
- **Annuity + LTC Rider**



Case Study – Linked Benefit

Marco (age 65)

Marco is a single man with an average portfolio of investments, including a few CDs and an annuity. He does not have children and plans to leave a small legacy in the form of a scholarship to his alma mater. His mother just died after a 4 year stay in a memory care facility and he feels the need for some sort of protection, although he does not like traditional LTCI because he cannot bequeath the unused portion.

SOLUTION

- Death Benefit – Level
- \$120,000 Face Amount/Death Benefit
- \$5,000 Monthly Max
- 2 Year ABR & 2 Year ERR
- Total LTC Benefit = \$240,000
- Residual Death Benefit \$12,000

Initial Premium \$77,490

Flexible Premium Adjustable Life Policy With Long Term Care Benefits

Product Chassis - Universal Life

ABR Rider – *Accelerated Benefit Rider*
Accelerates face amount for LTC coverage

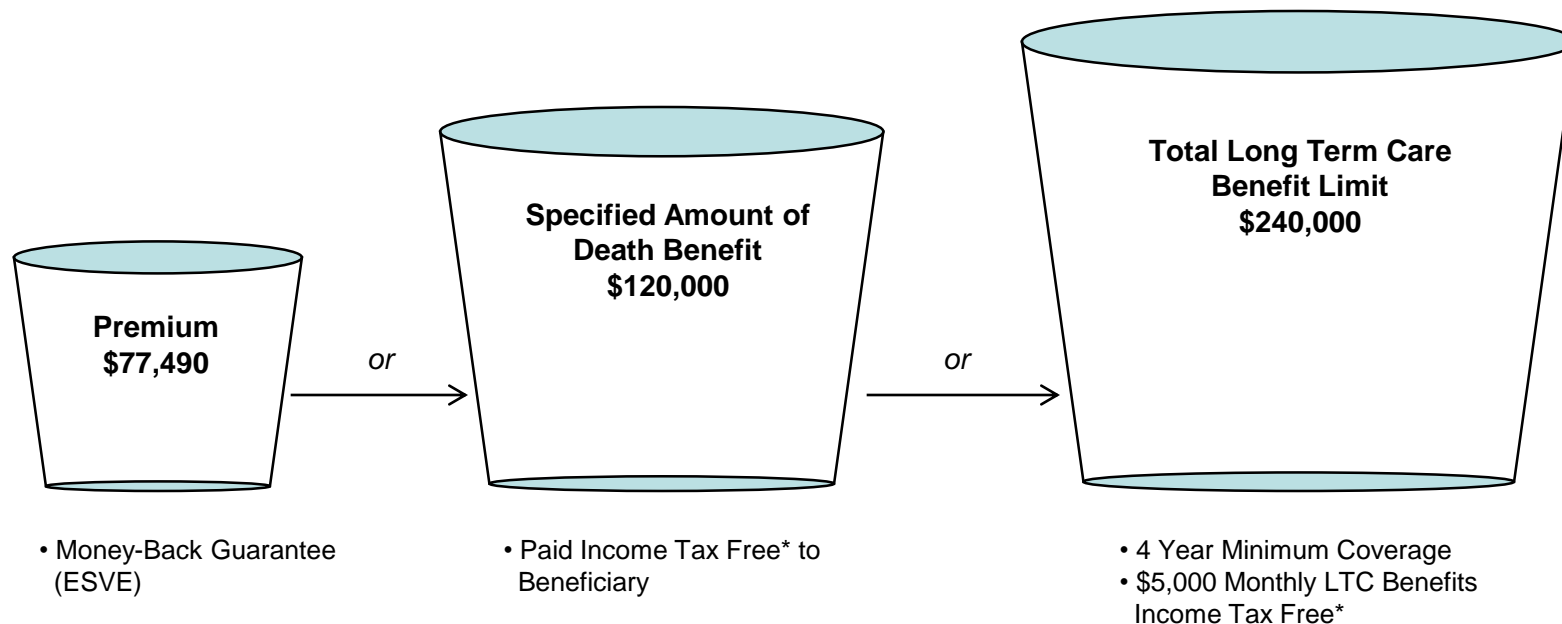
EBR Rider – *Extension of Benefits Rider*
Additional continuation for LTC coverage
after face value fully accelerated

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Case Study – Linked Benefit

Marco (age 65)



* IRS Sec. 101(a)(1)

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Pension Protection Act 2006

PPA Signed Into Law

Unique Tax Advantage

Deferred Annuities used to Fund Long-Term Care Expenses

- Before PPA – Annuity taxes were paid when funds were withdrawn to pay for long-term care expenses.

Long Term Care Payments

Defined as non-taxable income (as a reduction of tax basis)

- When cash is withdrawn from non-qualified annuities to pay for long-term care expenses or specifically designed long-term care insurance, the withdrawn amounts are not considered taxable income.

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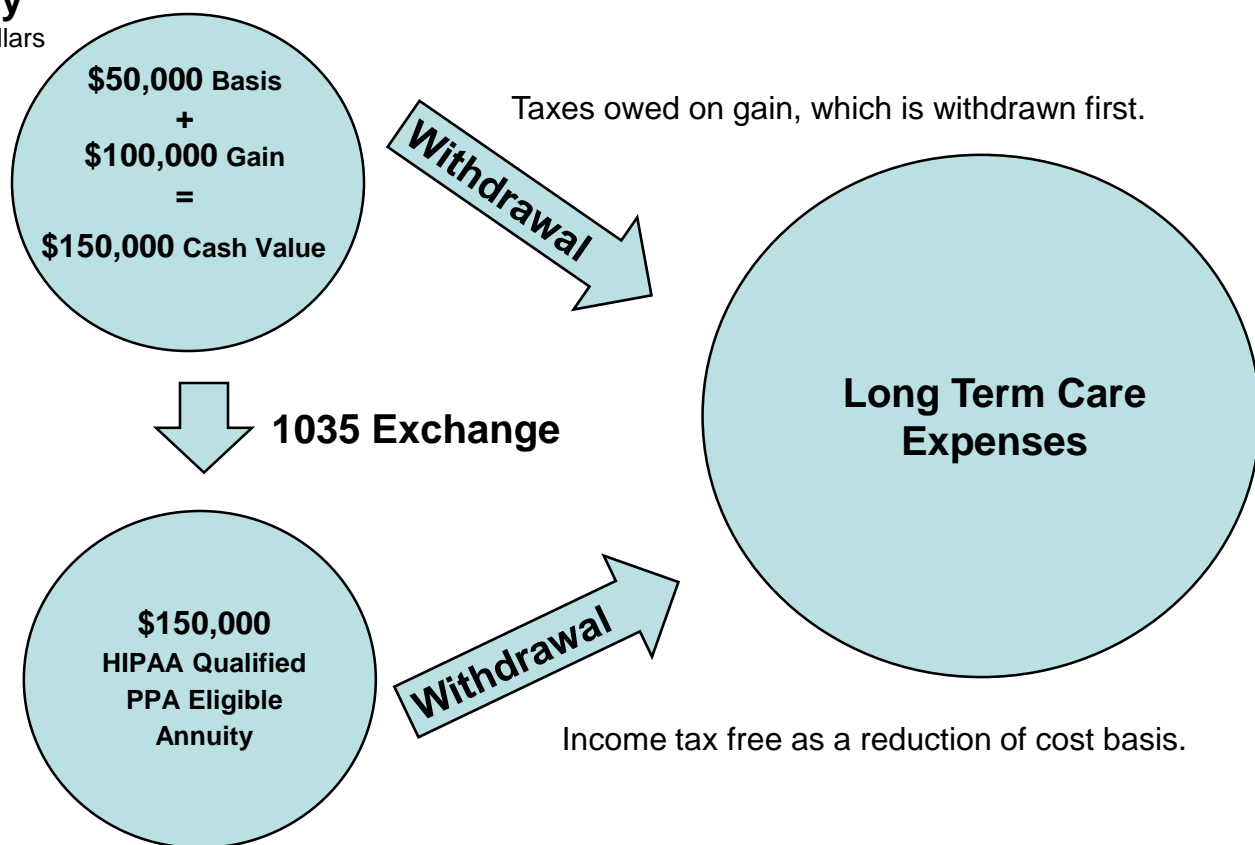


Key Similarities

Pension Protection Act

Existing Annuity

Funded with after-tax dollars



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Traditional Life Insurance

With Long Term Care RIDERS (7702B)

- 2 of 6 ADL or Cognitive Impairment
- Home Health Care / Asst Living Facility / Nursing Home
- 90 Day Elimination Period
- 1 - 4% Monthly Benefit
- Indemnity or Reimbursement
- Typically Requires Additional Purchase Charge
- Typically Requires 4 Hr Training Certificate to Sell

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LIFE With Long Term Care Rider

Male Age 55

\$250,000 Death Benefit

Guaranteed Premium Indexed Life

Yr	Accumulated Premium	Death Benefit	LTC Benefit	Non Guarantee Surrender Value
1	\$4,394	\$250,000	\$9,900 Mth / 25 Mths	\$0
5	\$21,970	\$250,000	\$9,900 Mth / 25 Mths	\$9,627
10	\$43,940	\$250,000	\$9,900 Mth / 25 Mths	\$30,455
20	\$87,880	\$250,000	\$9,900 Mth / 25 Mths	\$82,862
30	\$131,820	\$250,000	\$9,900 Mth / 25 Mths	\$156,553

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Traditional Long Term Care

Male Age 55 - Married
\$10,000 Monthly Benefit
 24 Month Benefit Period
 \$240,000 Benefit Maximum

Yr	Accumulated Premium	LTC Benefit
1	\$1,200	\$10,000 Mth / 24 Mths
5	\$6,000	\$10,000 Mth / 24 Mths
10	\$12,000	\$10,000 Mth / 24 Mths
20	\$24,000	\$10,000 Mth / 24 Mths
30	\$36,000	\$10,000 Mth / 24 Mths

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LIFE With Long Term Care Rider

Female Age 55

\$250,000 Death Benefit

Guaranteed Premium Indexed Life

Yr	Accumulated Premium	Death Benefit	LTC Benefit	Non Guarantee Surrender Value
1	\$3,953	\$250,000	\$9,900 Mth / 25 Mths	\$0
5	\$19,765	\$250,000	\$9,900 Mth / 25 Mths	\$7,750
10	\$29,530	\$250,000	\$9,900 Mth / 25 Mths	\$25,630
20	\$79,060	\$250,000	\$9,900 Mth / 25 Mths	\$73,231
30	\$118,590	\$250,000	\$9,900 Mth / 25 Mths	\$144,173

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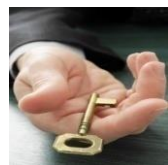


Traditional Long Term Care

Female Age 55 - Married
\$10,000 Monthly Benefit
 24 Month Benefit Period
 \$240,000 Benefit Maximum

Yr	Accumulated Premium	LTC Benefit
1	\$1,725	\$10,000 Mth / 24 Mths
5	\$8,625	\$10,000 Mth / 24 Mths
10	\$17,250	\$10,000 Mth / 24 Mths
20	\$34,500	\$10,000 Mth / 24 Mths
30	\$51,750	\$10,000 Mth / 24 Mths

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Pros & Cons

Life Insurance

PRO

- Death Benefit (If LTC Not Required)
- Premium Guaranteed
- Female Pricing Less Expensive
- Surrender Value
- Life Insurance May be Issued Without LTC Rider

CON

- No Inflation on Most Plans
- More Expensive
- Underwritten for Both Riders

Long Term Care Insurance

PRO

- Less Expensive
- Deductible for Businesses
- Waiver of Premium
- Male Pricing Less Expensive
- Care Coordination
- Respite Care
- 0 Day Elimination Period Available

CON

- Premiums Can Increase
- Female Pricing More Expensive

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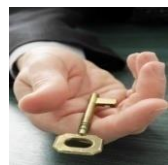


Traditional LTC

Male Age 55				
\$5,000 Monthly Benefit				
3% Compound Inflation				
\$120,000 Benefit Max (24 Mths)				
Yr	Monthly Benefit	Maximum Benefit	Lifetime Pay Accumulated Premium	10 Pay Accumulated Premium
1	\$5,000	\$120,000	\$1,086	\$2,986
10	\$6,524	\$156,572	\$10,860	\$29,860
20	\$8,768	\$210,420	\$21,720	\$29,860
30	\$11,783	\$282,787	\$32,580	\$29,860

Female Age 55				
\$5,000 Monthly Benefit				
3% Compound Inflation				
\$120,000 Benefit Max (24 Mths)				
Yr	Monthly Benefit	Maximum Benefit	Lifetime Pay Accumulated Premium	10 Pay Accumulated Premium
1	\$5,000	\$120,000	\$1,802	\$4,957
10	\$6,524	\$156,572	\$18,020	\$49,570
20	\$8,768	\$210,420	\$36,040	\$49,570
30	\$11,783	\$282,787	\$54,060	\$49,570

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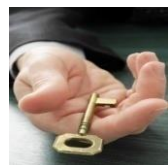


Traditional LTC Couples Case Study

Couple Age 50
\$5,000 Monthly Benefit
3% Compound Inflation
Shared Care
90 Day Facility EP
0 Day Home Care EP
4 Year Benefit Period

Annual Premiums	Carrier A	Carrier B
Gay Couple	\$3,871	\$5,269
Lesbian Couple	\$6,471	\$5,269
Heterosexual Couple	\$5,171	\$5,269

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Impact of Caregiving

- **Caregivers are 2 times more likely to develop chronic illness.**
- **Caregivers 65+ who have chronic illness histories have a mortality rate that is 63% higher than non-caregivers.**
(Schulz & Beach, 1999)
- **The stress of family care responsibilities has been shown to adversely impact a caregiver's immune system up to 3 years after such care ends.**
(Kiecolt-Glaser & Glaser, 2003)
- **Other adverse effects include depression, anxiety, and other chronic health conditions.**
- **Stress of caregiving decreases life expectancy by 10 years.**

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LTCI & Your Family's Best Interests

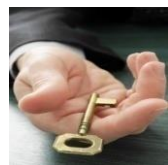
Caregiving is not an easy role – it can be time consuming, stressful, and physically demanding.

Even if your family is willing to help, you may not want to burden them with daily responsibilities related to your care.

Think about the responsibilities that your family members are juggling now and how caring for you could impact their lives.

- ❖ **Companions vs. Caregivers**
- ❖ **Permission**

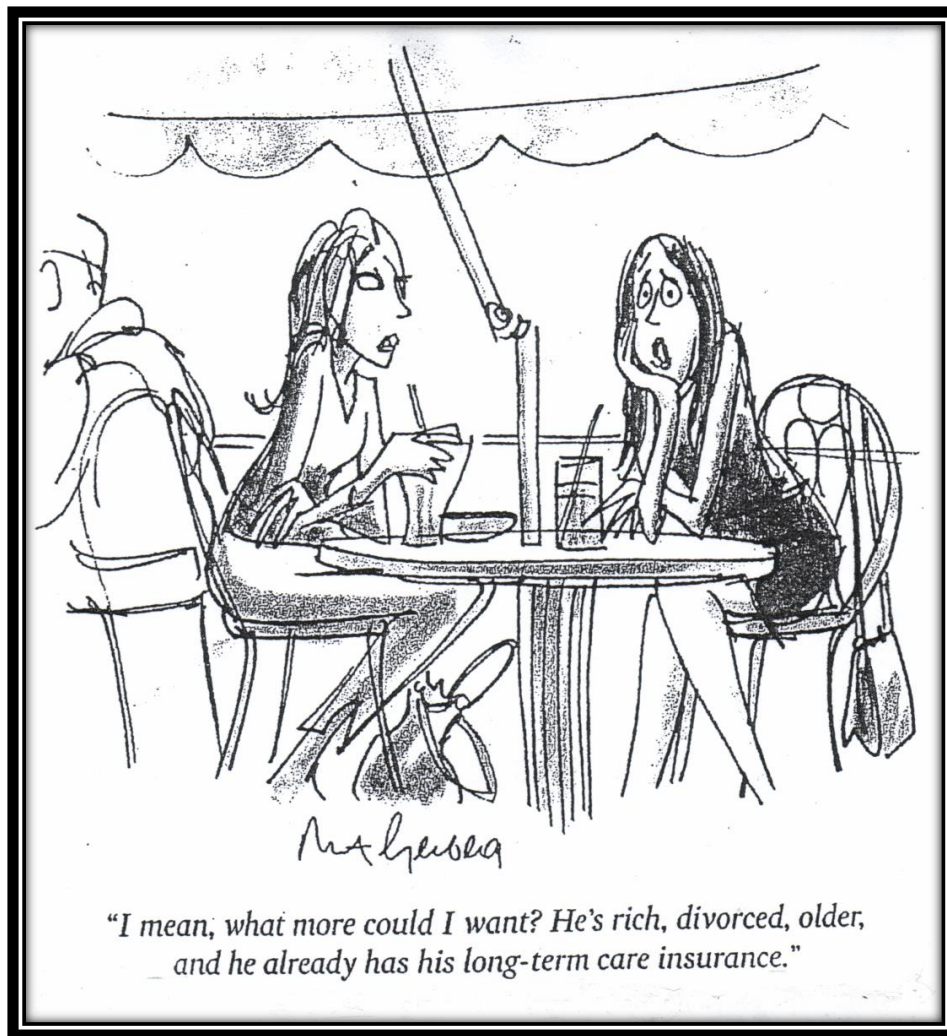
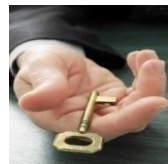
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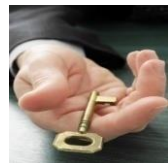
Client Conversation

Establish the Need – Paint the Picture

1. When you think of your Parents & Grandparents, of those 12 people, did any of them have trouble living independently at the end of their lives?
2. Go Go, Slow Go, No Go
3. What is your long term care plan?
4. Permission



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Newman Long Term Care

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