



# THE C.O.R.E. GROUP

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CENTERED ON RELATIONSHIP ENHANCEMENT

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## Understanding Long Term Care

# Top Questions

What is a long term care event?

What's my plan and how do I integrate my extended care plan into my retirement planning?

How would my spouse or loved ones be effected (physically, emotionally and financially) if I needed care?

What are the benefits of acting sooner rather than later?

What will Medicare & Medicaid cover?

Even if I can afford to self-insure ... is there a smarter way to plan for this?

How much could this cost?

Do my spouse and I agree on a strategy to deal with an extended care event?

Would my kids be able and willing to care for me?

How would I know when to get professional care?

I am healthy now so can I just ignore this and wait until I am older?

# Agenda

Living a long life

What is Long Term Care

Protecting Relationships

Costs

Who Pays

Favorable Tax Treatment

Types of long-term care plans

# Living A Long Life

Consider, if you had all the time in the world, how would you want to spend it ?

- ▶ Spending time with family
- ▶ Volunteering
- ▶ Enjoying your hobbies
- ▶ Life expectancy at age 65 is Age 85 – 21 years
- ▶ For couple aged 65, there's a  
50% chance one will live to age 92  
25% chance one will live to 97<sup>1</sup>



Unfortunately, when we live a long life, we may need long term care.

# What Are The Risks?

You're planning on living a long life ... but the REALITY is you or a loved one could need long term care. This could affect your lifestyle, your family, your retirement or your goals.



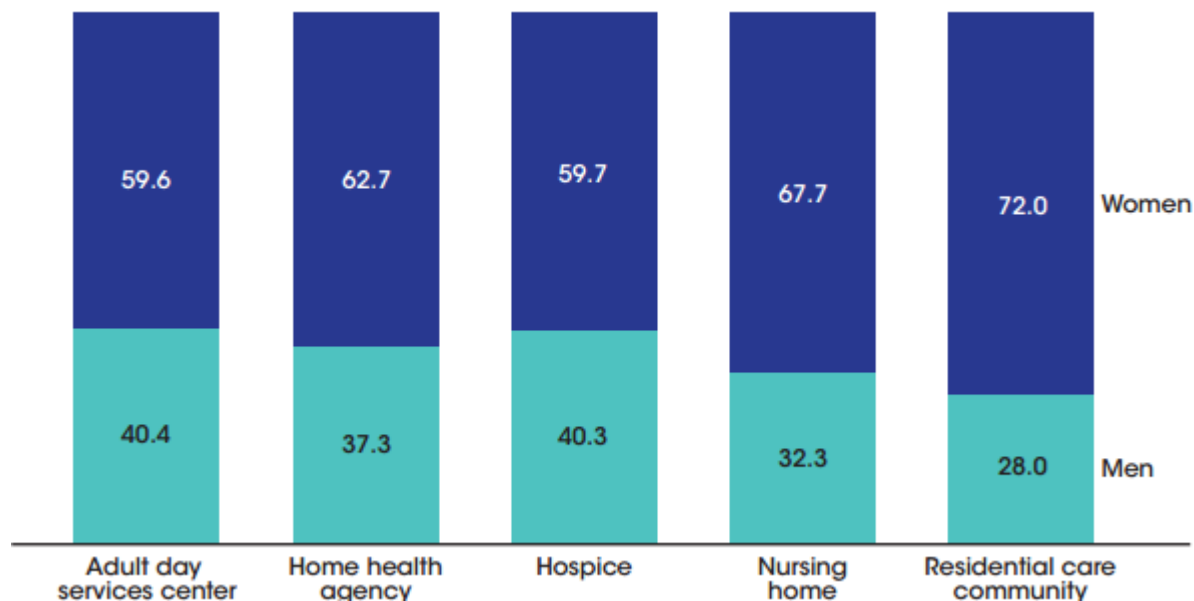
- In the year 2020, some 12 million Americans are expected to need some form of Long Term Care. <sup>1</sup>
- Because women generally outlive men by several years, they face a 50% greater likelihood than men of entering a nursing home after age 65. <sup>2</sup>
- 68% of people over age 65 will need this type of care before they die. <sup>3</sup>
- 5.7M diagnosed with Alzheimer's now projected to be 14 MM by 2050. <sup>4</sup>

1 AHIP "Guide to Long Term Care" 2004  
2 National Center for Health Statistics

3 (AARP). Beyond 50.2003  
4 Alzheimer's Assoc. "2018 ...Facts & Figures"

# Long Term Care and Women

In all five sectors, the users of long term care services were overwhelmingly women. <sup>1</sup>



<sup>1</sup> CDC/NCHS, National Study of Long Term Care Providers

Yeah, I  
Hear What  
You're  
Saying ....

But ... That Won't Happen to Me!

It Can Happen to Anyone At  
Anytime

It Could be the Result of an  
Accident

LTC is Not Necessarily an End-of-  
Life Event

It Could be Temporary

# Can It Happen To Me?

AT LEAST

**70%**

OF PEOPLE

People over 65 will need long term care services.<sup>1</sup>

**3.9**

YEARS

Average length of long term care claim lasting longer than one year.<sup>2</sup>

Less than 3 months = 20%

3 – 6 months = 10%

6 – 12 month = 14.2%

**4-8**

YEARS

Average life expectancy after Alzheimer's disease diagnosis after age 65.<sup>3</sup>

1 – 3 years = 30.3%

3 – 5 years = 12%

5 years or more = 12%<sup>4</sup>

<sup>1</sup> Medicare & You, National Medicare Handbook, Centers for Medicare and Medicaid Services, Revised November 2012

<sup>2</sup> Claims data for Genworth Life Insurance Company and affiliates – December 1974 - December 31, 2012

<sup>3</sup> Source: 2012 Alzheimer's Disease Facts and Figures, Alzheimer's Association, March 2012

<sup>4</sup> American Association for LTC Source Book 2008



# What Are The Chances?

**If there Was a 50% Chance Your House Was Going to Catch Fire ... Would You Insure It?**

**0.317% of households experienced a fire in 2010. Or we could say that 0.276% of housing units had a fire in the year. <sup>1</sup>**

<sup>1</sup> US Fire Administration

**The lifetime chance someone who buys a policy at age 60 will use their policy before they die is 50%. So, 50% will use their policy and 50% won't. The actuaries did this based on a zero (0) day elimination period.<sup>2</sup>**

<sup>2</sup> American Association for Long Term Care Insurance

# What Is Long Term Care?

The care you need when you are no longer able to care for yourself independently and stay safe.

- A chronic illness event requires you are unable to perform 2 of the 6 Activities of Daily Living (ADLs) without substantial assistance and the condition is expected to last for more than 100 days.
- This can occur from:
  - Accidents
  - Medical condition (stroke, arthritis, diabetes)
  - Aging
  - Sickness
  - A severe cognitive impairment, such as Dementia, Alzheimer's disease or brain injury

# The Activities of Daily Living



# Where Can I Get Long Term Care Services?

Long Term Care is the extra personal assistance you may need to stay safe and maintain your quality of life

Your Home

Assisted Living Community

Adult Day Care Facility

Nursing Home

Hospice Care

Long term care can be received at home, in the community or in a nursing home or assisted living facility.

Assisted living facilities (referred to as Residential Care Facilities in California)

# Protect Your Relationships

**46%**

OF FAMILY  
CAREGIVERS

Report that providing care affected their personal health and well-being.<sup>1</sup>

**53%**

OF  
CAREGIVERS &  
CARE  
RECIPIENTS

Report they lost income due to the demands of providing care.<sup>1</sup>

NEARLY

**50%**

OF CAREGIVERS

Experience a negative mood, including depression, mood swings or resentment<sup>1</sup>

# Who Do You Love?

## LTC = Love The Caregiver

What kind of support ( financial or caregiving ) are you providing for the benefit of your spouse or another adult?

What is the emotional, physical and financial cost of caring for someone?

What is the lifestyle of and where do your children or other family live now?

How important is maintaining family harmony to you?

# The Hidden Costs Of LTC

Women live an average of 5 years longer than men 5

Women who provide unpaid care lose an average of \$565K in income and retirement benefits over their lifetime 6

75% of unpaid care givers are women 7

40% of seniors caring for a spouse will pre-decease the spouse they are caring for 8

Family care givers are well intentioned but ill prepared. The loved one whom they care for may get less quality care 9

Women are affected most by the impacts that long term care can have on a family 10

Men feel the impact as much as women when it comes to financially preparing for future health care

Family harmony could be disrupted and relationships strained

5. DailyMail, health, Jenny Hope August 13, 2014

6. Take time to make long term care plans – Minnesota Women's Press Nov 2013

7. Older Women, Administration on Aging November 2013

8. The Holistic Wellness Center of Charlotte, Sept 2013

9. Family Caregiver Alliance Feb 2013

10. Women Beware: Long Term Care policies changes will affect your premium, Stewardship matters, Inc May 8 2013

# It Is Up To You

- ▶ The GOOD NEWS is
- ▶ You Have Some Control
- ▶ You can't control if
- ▶ You can't control when
- ▶ You can't control how long
- ▶ You CAN CONTROL the OUTCOMES and HOW THE FAMILY YOU LOVE ARE IMPACTED.



# The Financial Costs

- Home Health Care
  - 51% of all long term care services are provided in the home <sup>1</sup>
  - 2017 - \$49,188
  - 2030 - \$72,240
- Community Care / Assisted Living
  - Once Admitted, the average length of stay in the U.S. is 2 ½ years <sup>2</sup>
  - 2017 - \$45,000
  - 2030 - \$66,084
- Skilled Nursing Facility
  - LTC claims are growing in Length - 15% of claims last over 5 years vs 4.5% 10 years ago <sup>3</sup>
  - 2017 - \$85,776 (semi-private room)
  - 2030 - \$125,964
- Total Length & Cost of Care
  - Home = 1 year
  - Assisted living = 2 ½ years .... 59% will transfer to skilled nursing <sup>2</sup>
  - Skilled nursing = 1 ½ years
  - 2016 = \$290,352
  - 2030 = \$426,396

1. The 2014 Sourcebook for Long Term Care Insurance Information American Association for Long Term Care Insurance 2013
2. ACCLARO Partner Study 2009
3. Navigo – Long Term Care Insurance Statistics : June 2013 Update
4. Costs are from Genworth Cost of Care Survey 2018

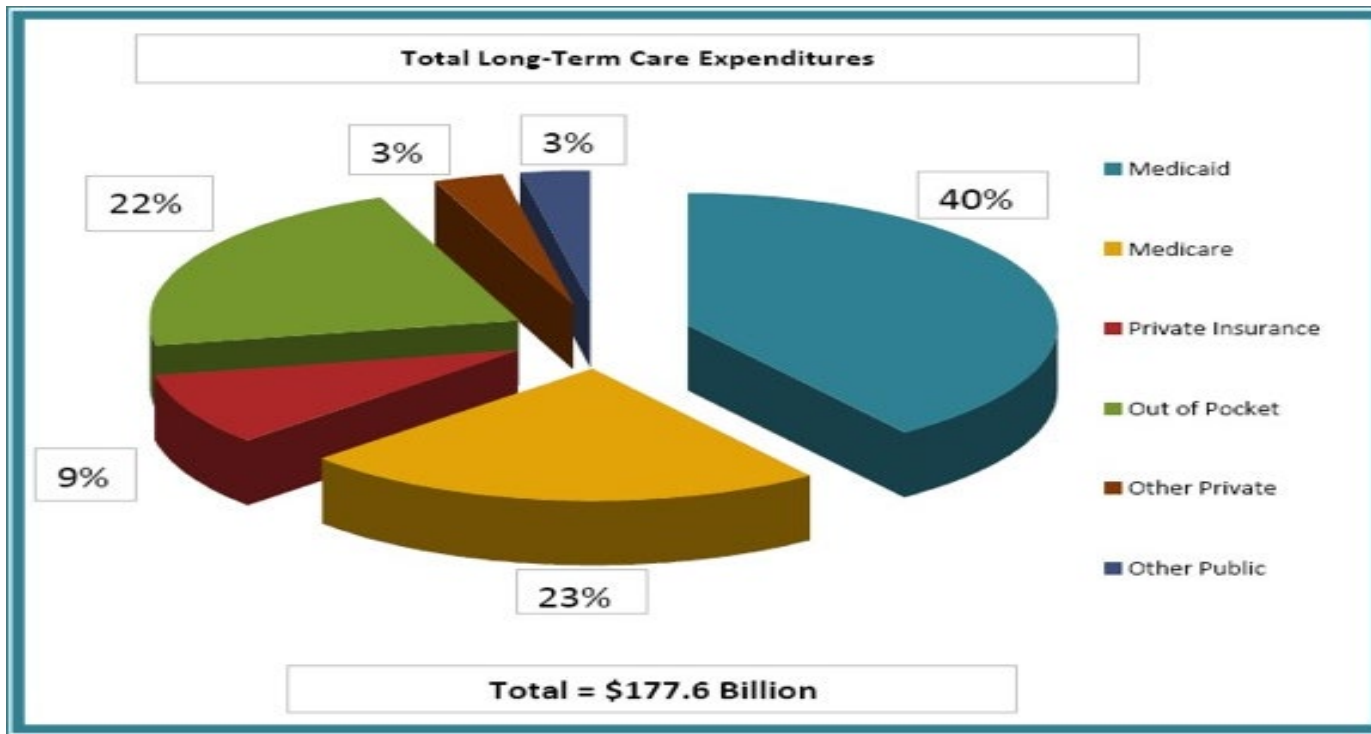
# What is Your Plan?

- ▶ This is about proper income planning ... not asset planning. How important is certainty to you?
- ▶ How have you planned for any of these events that could affect the retirement plans/goals for yourself or your spouse?
- ▶ What written plan is in place to provide directions to those family members who will be assisting you?
- ▶ Would you prefer your family PROVIDES care or SUPERVISES care?
- ▶ This is the type of planning you do because you love someone else.

# Who Pays?

- ▶ Long Term Disability
  - ▶ Covers your lost income, but doesn't pay for any LTC needs. Often when your job ends, so does your coverage and typically it goes away at age 65.
- ▶ Medicare
  - ▶ Covers only a portion of long term care costs up to 100 days; 20 days are at no cost and the remaining 80 are at a significant co-pay for the insured.
- ▶ Health Insurance
  - ▶ Does not cover long term care expenses. Medigap policies are health insurance and also do not cover LTC expenses.
- ▶ Self Insurance
  - ▶ Assets used to pay for long term care can deplete future income for your spouse as well as drain the inheritance you planned to leave your family.
- ▶ Family Members
  - ▶ Even the most responsible are not always prepared physically, emotionally or financially to care for loved ones. Fifty three percent of Americans who cared for a loved one lost income due to the demands of providing that care. <sup>1</sup>
  - ▶ 1 Genworth Beyond Dollars Survey, 3/2013

# Source of Funds



- Medicaid = Covers Long Term Care expenses for individuals with countable assets of \$2,000 or less and care could be limited to a nursing home chosen by Medicaid, not your family.



## Payments From LTC Insurance

# Benefits of Private Long Term Care Insurance

Provides certainty in your planning and outcomes

Avoids physical and financial dependence on family and friends

Protects your hard-earned assets

Maintain choice on how and where you receive care

Assures high-quality care, at an affordable price

Gives more options - stay at home when you need care

Maintain your independence

Maintain family harmony

Enable your family to supervise care instead of provide care.

Transfers the risk & responsibility from you, your spouse and your family to the insurance company.

# Favorable Tax Treatment Of LTC Payments

- Individual – W-2 wage earner
  - Counts as a medical expense and is deductible to the extent that other medical expense are deductible. Amounts is 10% of your AGI or more than 7.5% if you are >65. (as of 1/2018)
- Self Employed – 1099 wage earner
  - 100% of premium is deductible – no 10% threshold to meet – as well as dependent / spouse's premiums
- Partnerships / LLC / Sub chapter S
  - For owners, same as self employed deductibility
  - For employees – 100% deductible – no income to employee

# Favorable Tax Treatment Of LTC Payments

- C- Corporations
  - 100% of premium deductible to the corp.
  - Same for owner if an employee
  - Not subject to non-discrimination rules
    - employer can be selective as to employees in plan
- Annuity gains
  - Can be accessed income tax free to pay LTC premiums
  - Deferred gains in an annuity can be leveraged and accessed income tax free to pay long term care expenses



# Potential For Tax Deductions

Individual taxpayers can treat premiums paid for tax-qualified long-term care insurance for themselves, their spouse or any tax dependents (such as parents) as a personal medical expense.

This is not tax advice. Speak with your CPA for specific rules and limits that apply.

Taxpayer's Age	Deductible Limit
40 or less	\$420
More than 40 but not more than 50	\$790
More than 50 but not more than 60	\$1,580
More than 60 but not more than 70	\$4,420
More than 70	\$5,270

# Multiple Solutions

Traditional  
long term  
care  
insurance

Life Insurance  
that has an  
accelerated  
benefit rider\*  
for long term  
care services

Asset Based  
Life Insurance  
& LTC  
Qualified  
Annuity

\*Added to a life insurance policy

# Things To Consider When Comparing Your Options

- Daily or monthly benefits
- Benefit cap
- Elimination period
- Inflation
- Shared benefits
- Payment options
- Potential changes to on-going premiums
- Non-forfeiture provisions
- Exclusions
- Indemnity or Reimbursement
- Chronic illness ... temporary or permanent

# Traditional Long Term Care Insurance

## **Pros**

- Spousal discount (10-30%)
- Inflation protection
- Premiums may be deductible
- Asset protection if using a partnership plan
- Most leverage for LTC expenses for your premiums paid

## **Cons**

- Premiums required until file a claim (no limited/short pay options)
- Possible rate increases
- Use-it or lose-it
- Reimbursement only

# Example Of Traditional LTC Rates

For Initial pool of benefits equal to \$164,000 (each at age 60). Value of benefits when policyholder reaches age 85 equals \$343,000 each. Three-year benefit pool initially providing \$4555 a month in benefits. Calculated: April 2019

Single male, Age 60 (preferred health)	\$1,925 annual premium
Single female, Age 60 (preferred health)	\$3,050 annual premium
Couple, BOTH age 60	\$3,400 annual premium

Based on 2019 American Association for Long-Term Care Insurance annual Price Index survey of leading LTC insurers. Age bands released individually during Jan and Feb.

# Asset Based LTC Strategies

## Pros

- Guaranteed benefits\*
- Guaranteed premiums\*
- Ability to get premium back if needed via 80% - 100% return of premium options available
- Capital stays with the family if never used for LTC via a death benefit
- Simple to understand
- One and done or flexible premium payment options
- Can pay with cash or can transfer existing cash value of life insurance to fund the strategy
- Expedited approval process
- Possibility of having reimbursement or indemnity LTC expense repayment(1)

## Cons

- Best leverage is when a lump sum investment is used (not required)
- Typically requires \$50K or more in total funding
- Reduced options if over age 70

\* Any and all guarantees are based upon the claims paying ability of the issuing insurance company  
(1). Depends on state of issue and product availability

# Example Of Asset Based LTC

Married 65 year old female re-positions \$100,000  
as a single payment into an asset-based care  
strategy

## Company A\*:

- At issue = \$4,275 a month in benefits / \$331,839 total pool
- At age 80 = \$6,661 a month in benefits / \$516,944 total pool
  - Increasing by 3% annually
- If never used for LTC expenses ...there is a death benefit
  - At issue = \$164,000
  - Declines each year until ...
  - At age 86 - 120 = \$102,603 all remaining years
- Maintains liquidity ... \$80,000 surrender value all years
- Zero day elimination period
- Reimbursement

\*This is from a leading provider and based on rates as-of August 16,2019. Any and all guarantees are based on the claims paying ability of the issuing company. Which option(s) are available to you are based on your age, gender, marital status, health and state availability. Please consult with your advisor for more information specific to you.

# Accelerated Benefit Riders

## Pros

- Guaranteed benefits\*
- Guaranteed rates\*
- Monthly LTC benefit could be largest of all of the options
- Largest death benefit of options shown
- Premiums never lost - leveraged via a death benefit
- Flexible funding
- Can pay with cash or can transfer in existing cash values from other life insurance
- Some provide an indemnity benefit

## Cons

- Surrender values could be less than premiums paid
- It is a fixed benefit pool - inflation for LTC benefits not available

\*Any and all guarantees are based upon the claims paying ability of the issuing insurance company



# Example Of Accelerated Benefit Riders

Male age 62 with average health (rated standard non-tobacco) purchases a \$250,000 total (death benefit or for LTC) benefit pool

## Option 1 Company A\*:

- Premiums and benefits guaranteed to age 100
- \$6,621 annual premium
- \$10,000 monthly benefit for LTC
- Paid as a reimbursement for LTC claims
- Little to no cash value
- Premiums no longer required once on LTC claim
- 7.4% rate of return to age 80

## Option 2 Company A\*:

- Premiums and benefits guaranteed to age 88
- \$6,221 annual premium
- With assumed 6.35% ROR
  - Inforce to age 120
  - CSV = \$52,825 age 77
  - CSV = \$128K age 88
- \$10,000 monthly benefit for LTC
- Premiums no longer required once on LTC claim
- 8% rate of return to age 80

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# Long Term Care Qualified Annuity

- ▶ 1035 existing life insurance or annuities with gains to a tax qualified LTC annuity
- ▶ Before replacing your annuity through a 1035 exchange, consider whether there are surrender charges on the existing contract and any new surrender charge schedule on the new contract
- ▶ Access gains income tax free to pay for LTC premiums and/or expenses
- ▶ Leverage cash value into a multiple for long term care benefits
- ▶ If you never use it - annuity value passes to your beneficiaries as any other annuity
- ▶ Also options here for qualified funds

# Example of LTC Qualified Annuity

Female with average health, age 70 transfers via a tax-free exchange (IRC Sec. 1035) from a non-qualified annuity valued at \$300,000 with a \$100,000 cost basis

## Company A\*:

- Guaranteed values\*
- At issue
  - \$12,401 a month in benefits for LTC
  - 132 months of benefits ... 11 years
  - \$1,637,060 total benefit pool
  - \$279,591 = cash surrender and death benefit value
- At age 80
  - \$11,452 a month in benefits for LTC
  - 132 months of benefits ... 11 years
  - \$1,523,672 total benefit pool
  - \$274,308 = cash surrender and death benefit value

\*This is from a leading provider and based on rates as-of August 16, 2019. Any and all guarantees are based upon the claims paying ability of the issuing company. Which option(s) are available to you are based on your age, gender, health rating and state availability. Please consult with your advisor for more information specific to you.

# Getting It Right for Your Reasons

## ► The Process:

- Find out what is important to you and what outcomes you want
- Identify the resources you have available
- We can analyze and inform you of your options
- Be your advocate in the marketplace to identify the best and right strategy
- Discuss your options and demonstrate which one best accomplishes what you said you wanted
- Once you agree on a strategy, we navigate the approval process to get you the best solution at the best price as quickly as possible
- Review your protection plan with you every three to five years (sooner if needed) to ensure you will get the results you wanted
- Support you and family members in the claims process



# What Works Best for You?

- ▶ This is too important of an issue to be left to chance
- ▶ We are full service financial professionals - we can help determine which strategy is best for you
- ▶ Decision can not be made in a vacuum - needs to be coordinated with your over-all financial plan
- ▶ You have questions - we can help
- ▶ Please schedule a meeting with us to review your current situation and map out your options
- ▶ We assist you to make a confident and informed decision that optimizes your outcomes for YOUR reasons
- ▶
- ▶ We look forward to meeting with you!

# Questions?



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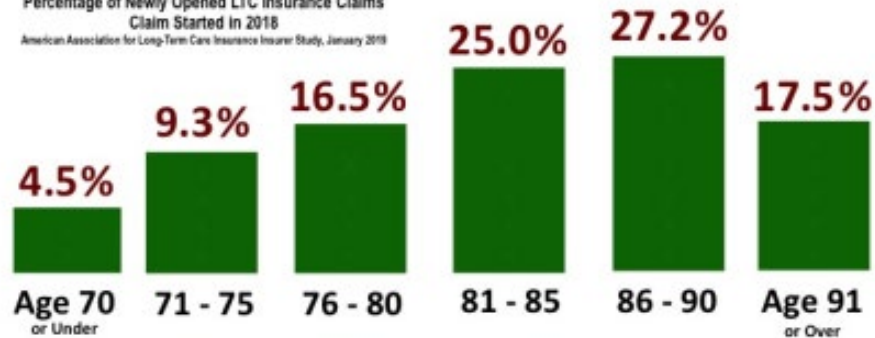
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**American Association for Long-Term Care Insurance**  
**Age When Long-Term Care Insurance Claims Begin**

New Claims That Started in 2018

Percentage of Newly Opened LTC Insurance Claims  
Claim Started in 2018

American Association for Long-Term Care Insurance Insurer Study, January 2018

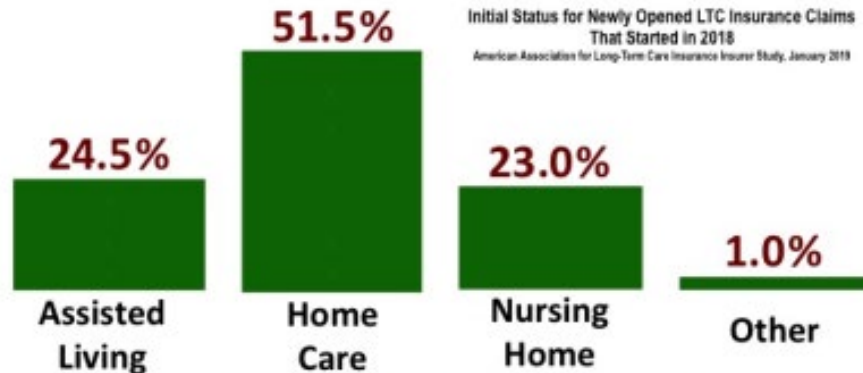


**See Latest LTC Data - Facts - Costs**

[www.AALTCI.org/LTCFacts-2019](http://www.AALTCI.org/LTCFacts-2019)

# When on Claim?

**American Association for Long-Term Care Insurance**  
**Where Long-Term Care Insurance Claims Begin**  
New Claims That Started in 2018

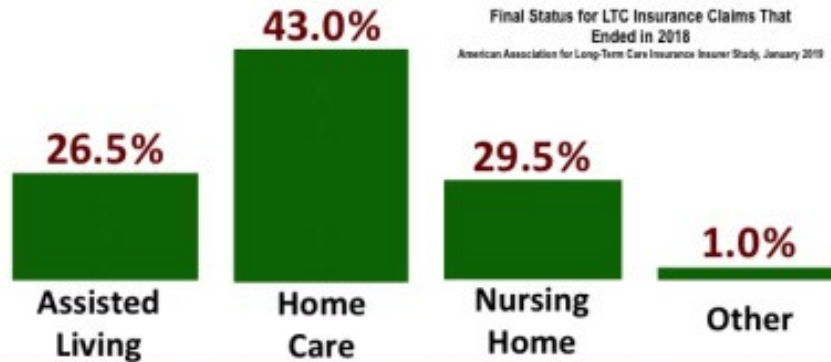


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[www.AALTCl.org/LTCFacts-2019](http://www.AALTCl.org/LTCFacts-2019)

# Where Do Claims Start?



**American Association for Long-Term Care Insurance**  
**Where Long-Term Care Insurance Claims Ended**  
LTCI Claims That Ended in 2018

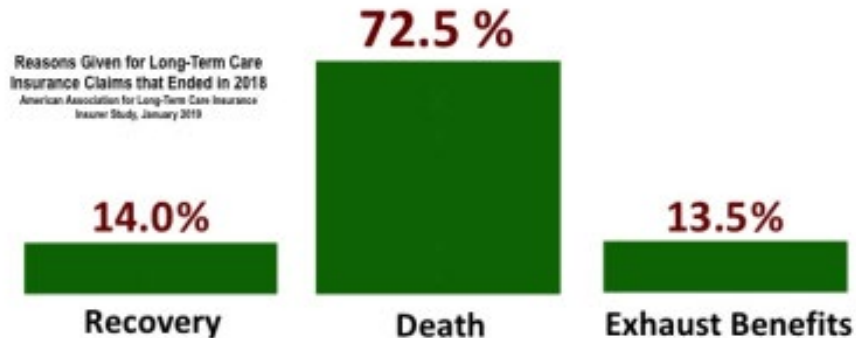


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# Where Do Claims End?

American Association for Long-Term Care Insurance  
**Why Long-Term Care Insurance Claims Ended**

Reasons Reported For Claims That Ended in 2018



**See Latest LTC Data - Facts - Costs**

[www.AALTCI.org/LTCFacts-2019](http://www.AALTCI.org/LTCFacts-2019)

# Why Did Claims End?



## Decline Rates