

Agenda



- 1. Have a Plan
- 2. Facts and The Problem
- 3. Long Term Care Glossary: Generations of LTC
- 4. LTC Payout Types: Reimbursement vs. Indemnity
- 5. Legislative Changes
- 6. Your cost of care
- 7. Types of Products for LTC Coverage



Do You Have a Plan?

Create a Stated Income Retirement Plan

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Planning Horizon: 32 yrs			Bank		Joint Brokerage NQ		His IRA		Her IRA										
Year	Client	Spouse	Account	Income	Account	Income	Account	Income	Account	Income	Accounts Total	Planned Dist.	Client Wages	Spouse Wages	Client SS	Spouse SS	Approx. Income Tax	After Tax Income	After Tax Target
net return	60	58	0.05 %		5.00 %		5.00 %	Client IRA	5.00 %	Spouse IRA									
init amount			350,000		1,500,000		1,250,000		500,000		3,600,000	subtotal					l		
bonus %			0.00 %		0.00 %		0.00 %	Client inc	0.00 %	Spouse inc	0	of account	Infl Factor	Infl Factor	Infl Factor	Infl Factor			Infl Factor
w/bonus			350,000	_	1,500,000		1,250,000	(500,000	(7.777)	3,600,000	incomes	1.00 %	1.00 %	1.50 %	1.50 %			2.50 %
2024	61	59	350,175	0	1,575,000	0	1,320,500	(8,000)	533,000	(8,000)	3,778,675	(16,000)	150,000	150,000	0	0	(68,770)-24%	215,230	150,000
2025 2026	62 63	60	350,350	0	1,653,750	0	1,394,525	(8,000)	567,650	(8,000)	3,966,274	(16,000)	151,500	151,500	0	0	(69,496)-24%	217,504	153,750 157,594
2026	64	61 62	350,525 350,700	0	1,736,437 1,823,259	0	1,472,251 1,553,864	(8,000) (8,000)	604,032 642,234	(8,000) (8,000)	4,163,246 4,370,057	(16,000) (16,000)	153,015 154,545	153,015 154,545	0	0	(70,230)-24% (70,970)-24%	219,800 222,120	161,534
2028	65	63	350,700	0	1,914,422	0	1,639,557	(8,000)	682,346	(8,000)	4,570,037	(16,000)	156.091	156,091	0	0	(71,718)-24%	224,463	165,572
2029	66	64	351.051	0	2.010.143	0	1,729,534	(8,000)	724,463	(8,000)	4,815,192	(16,000)	157,652	157,652	0	0	(72,474)-24%	226,829	169,711
2030	67	65	351,227	0	2.063.927	46,722	1,816,011	(0,000)	768,686	(8,000)	4,999,851	38.722	107,002	159,228	37,481	0	(49,477)-21%	185,954	185,954
2031	68	66	351,402	0	2.116.671	50,453	1,906,812	0	815.120	(8,000)	5.190.006	42,453	ا م	160,820	38,043	0	(50,713)-21%	190,603	190,603
2032	69	67	351.578	0	2.050.387	172.118	2.002.152	0	855.876	(0,000)	5.259.994	172,118	ا م	0	38.614	34,442	4	195,368	195,368
2033	70	68	351,754	0	1,975,756	177,150	2,102,260	0	898,670	0	5,328,439	177,150	l ol	o	39,193	34,959	(,,	200,252	200,252
2034	71	69	351,930	0	1,892,224	182,320	2,207,372	0	943,604	0	5,395,129	182,320	0	0	39,781	35,483		205,258	205,258
2035	72	70	352,106	0	1,799,206	187,629	2,317,741	0	990,784	0	5,459,836	187,629	o	0	40,378	36,015	(53,632)-20%	210,390	210,390
2036	73	71	352,282	0	1,696,083	193,083	2,433,628	0	1,040,323	0	5,522,316	193,083	o	0	40,983	36,555	(54,972)-20%	215,650	215,650
2037	74	72	352,458	0	1,582,203	198,684	2,555,309	0	1,092,339	0	5,582,309	198,684	0	0	41,598	37,104	(56,345)-20%	221,041	221,041
2038	75	73	352,634	0	1,560,751	100,563	2,579,200	103,874	1,146,956	0	5,639,541	204,437	0	0	42,222	37,660	(57,753)-20%	226,567	226,567
2039	76	74	352,810	0	1,537,270	101,519	2,599,333	108,827	1,204,304	0	5,693,716	210,346	0	0	42,855	38,225	(59,195)-20%	232,231	232,231
2040	77	75	352,987	0	1,560,182	53,951	2,615,792	113,508	1,215,563	48,955	5,744,524	216,414	0	0	43,498	38,799	(60,674)-20%	238,037	238,037
2041	78	76	353,163	0	1,585,734	52,457	2,627,682	118,900	1,225,052	51,290	5,791,631	222,646	0	0	44,151	39,381	(62,190)-20%	243,988	243,988
2042	79	77	353,340	0	1,614,005	51,016	2,634,531	124,535	1,232,809	53,496	5,834,684	229,047	0	0	44,813	39,971	(63,744)-20%	250,087	250,087
2043	80	78	353,516	0	1,645,545	49,160	2,635,835	130,422	1,238,412	56,037	5,873,308	235,619	0	0	45,485	40,571	(256,340	256,340
2044	81	79	353,693	0	1,680,013	47,809	2,631,759	135,868	1,241,640	58,693	5,907,105	242,369	0	0	46,167	41,179	(,,	262,748	262,748
2045	82	80	353,870	0	1,718,437	45,576	2,621,089	142,257	1,242,255	61,467	5,935,651	249,301	0	0	46,860	41,797		269,317	269,317
2046	83	81	354,047	0	1,760,058	44,301	2,604,060	148,084	1,240,334	64,034	5,958,498	256,419	0	0	47,563		(70,356)-20%	276,050	276,050
2047	84	82	354,224	0	1,806,381	41,680	2,579,259	155,004	1,235,305	67,045	5,975,169	263,728	0	0	48,276	43,060	(,,	282,951	282,951
2048	85	83	354,401	0	1,856,461	40,239	2,547,018	161,204	1,227,279	69,791	5,985,159	271,234	0	0	49,000	43,706	(101010) =011	290,025	290,025
2049	86	84	354,578	0	1,920,060	29,224	2,506,802	167,567	1,215,591	73,052	5,997,031	269,843	0	0	49,735	44,362	(290,025	290,025
2050	87	85	354,756	0	1,997,690	18,374	2,458,058	174,083	1,200,396	75,974	6,010,899	268,432	0	0	50,481		(73,916)-20%	290,025	290,025
2051	88	86	354,933	0	2,088,969	8,605 (2,125)	2,401,540	179,420	1,181,442	78,973	6,026,884	266,999	0	0	51,239	45,703	,,	290,025	290,025
2052 2053	89 90	87 88	355,110 355,288	0	2,195,542 2.314.820		2,335,452 2,260,794	186,166 191,430	1,158,470	82,045 84,560	6,044,572 6,062,734	266,086 266,489	0	0	52,007 52,787	46,388 47,084	(, , , , , , , , , , , , , , , , , , ,	290,025 290,025	290,025 290.025
				0		(9,501)		,	1,131,833	- 1,000			0			,	V11		
2054	91	89 90	355,466	0	2,447,902	(17,342)	2,177,242	196,591	1,100,686	87,739	6,081,296	266,988	0	0	53,579 54,383	47,790		290,025	290,025
2055	92	90	355,643	0	2,594,818	(24,521)	2,084,508	201,596	1,065,500	90,220	6,100,469	267,296	022.902	4 242 850	0.1000	48,507	(00) 100/	290,025	290,025
				0		1,839,143		2,691,336		1,039,371		5,569,852	922,802	1,242,850	1,181,175	986,196	(2,093,902)	7,808,972	7,441,186

Important Note - the values shown in orange indicate hypothetical growth rates



Facts and the Problem

According to the U.S. Census Bureau

- There are 55.8 million American aged 65 or older.
- 3% of them have addressed the issue.

54.1 Million People 65 or Older are not prepared.





Facts and the Problem

The problem continues to grow as an additional 10,000 people are turning 65 everyday through 2030.





Why Are So Many People Unprepared

- They don't believe it is going to happen to them.
- They procrastinate because it seems far off.
- They believe family will take care of them, not realizing the physical, financial and emotional toll it will take on them.
- They believe Medicare/Medicaid will cover the cost.
- They believe they can self-fund.
- They don't realize they can address the issue WITHOUT traditional long-term care insurance.





LTC Glossary

Activities of Daily Living (ADL)

Basic activities that most people do everyday without any assistance. LTC carriers use ADL's to gauge an individual's level of functioning. If an individual cannot perform 2 out of the 6 ADL's (below) without assistance, this would trigger an LTC claim:

- **Bathing** The ability to clean oneself and perform grooming activities like shaving and brushing teeth.
- Dressing The ability to get dressed by oneself without struggling with buttons and zippers.
- **Eating** Ability to feed oneself
- **Transferring** Being able to either walk or move oneself from a bed to a wheelchair and back again.
- **Toileting** The ability to get on and off the toilet.
- Continence The ability to control one's bladder and bowel functions.





LTC Glossary

Elimination Period

The amount of time that must pass after a benefit trigger occurs but before you start receiving benefit payments. During this period, you must cover the cost of any services you receive.

Waiver of Premium

The insurance company will waive premium payments each month that you are on claim and receiving care.

Cost of Living Inflation Benefit

Increases your benefits automatically each year for a given amount of years. This benefit was designed to allow policyholders to make sure that benefits they receive can keep up with inflation.





Types of Payouts Payouts Are Tax Free

Reimbursement vs. Indemnity

Reimbursement

Reimburses policyholders for qualified long-term care expenses incurred each month. Under these policies, a care provider can bill the policyholder's insurance company directly, or the policyholder can pay for long-term care expenses out of pocket and submit receipts for reimbursement.

Cash Indemnity

Involves insurance providers sending a pre-determined monthly payment to the policyholder, regardless of the price of any care provided. The individual needs to receive qualified long-term care services to qualify. The policyholder then uses that money to pay for care directly.





Ways to pay for Long-Term Care

Self Insure: The Potential Liability

A more affluent individual who may have the means to pay for long-term care out of there assets. Even in this scenario, we suggest you go through a comprehensive retirement study that will...

- Test your plan "As is"
- In a secondary scenario with a hypothetical claim to evaluate how your assets hold up.

This will allow you to determine if it makes sense to incur the whole liability or shift a portion of the risk to an insurance carrier.

Traditional LTC Insurance

This is the original form of coverage and is the most basic type of Long-Term Care policy.

- If you don't use it for a LTC claim, there is no recapturing of funds
- This product insures against future long term care expenses only.
- There is no cash value or death benefit linked to this product.
- Premiums are not guaranteed.
- This product has a reimbursement payout for claims.





Ways to pay for Long-Term Care

Fixed Index and/or Income Annuity LTC

This product is a deferred annuity that includes a long-term care benefit tied to ADL's (in home or facility). These annuities are typically funded with an initial lump sum, single premium payment (qualified funds can be used). These annuities can provide you with lifetime income and can also be used for long term care expenses. These products can be fixed/guaranteed or indexed - values grow based on index performance. This product is typically paid out as an indemnity.

Life Asset Based Life with LTC

This is a life insurance policy with LTC benefits. Premiums are guaranteed / fixed. The death benefit is typically equal to or more than premiums paid. That means a benefit is paid whether you need LTC or not. The product also provides liquidity in the form of cash surrender value. This product provides an indemnity payout for LTC claims.

Hybrid FIA with Asset Based Life with LTC

This is a unique strategy that provides benefits not available through either product alone. In this strategy, the premium is initially paid into the Fixed Index Annuity and then 10 equal payments are made from the annuity into the life contract in each of the first 10 years. This "hybrid strategy" can be funded with qualified funds, provides potential reduction in total premiums not available with a single lump sum payment, and provides an indemnity payout for LTC claims.





1st Generation: Traditional LTC Insurance

The First Policies To Offer Benefits for Individuals Facing The Ongoing Costs of Long-Term Care

- A Great 1st Step
- Quickly Became Apparent There Were Several Limitations

PROS

 Less funds required to be committed immediately relative to other Long-Term Care options.

CONS

- While premiums were initially more affordable, they quickly became much more expensive.
- No limit on how much premiums can be raised.
- Health exams required that may lead to even higher premiums or even declination of coverage.
- Typically, only provides benefit when there's a claim. "If you don't use it, you lose it".
- No flexibility to take income, tax-free loans, or a w/d for emergencies, if needed.





2nd Generation: Asset-Based LTC Insurance

Specific Type of Life Insurance That Offers Accelerated Long-Term Care Benefits.

• Introduced to the Market As An Alternative to Traditional Long-Term Care Insurance and Addressed Many of Its Inherent Limitations

PROS

- More cost effective than traditional long-term care insurance.
- Premiums are guaranteed so cannot be increased.
- Indemnity Policies. Benefits are automatically paid upon qualifying. No approvals, no need to pay up-front, no receipts to be tracked and submitted.
- Flexibility to make withdrawals for income, tax-free loans or withdrawals for emergencies.

CONS

- There is no provision allowing for funding with qualified retirement funds (IRA's, 401K's, etc.)
- There was no method to commit the full funding to provide the desired benefit AND still take advantage of the "Waiver of Premium" feature within the policy.





3rd Generation: Hybrid Asset-Based LTC Insurance

Utilizes the Same Asset-Based Life Insurance, But Adds A Single Critical Element . . .

- Initial Funding Into A Fixed Indexed Annuity
- Introduced in Recent Years to Take Advantage of the Many Benefits of Asset-Based Long-Term Care While Eliminating Its Shortcomings

PROS

- Provides the flexibility to be funded from current savings or from income
- When fully funding from savings:
- Allows the use of qualified funds (IRA's, 401K's, etc.)
- If a claim occurs during the first 10 years, a pro-rated deduction of approximately 40-45% of premiums while on claim.
- Keeps funds in the estate
- Premiums are guaranteed so cannot be raised from year-to-year
- Benefits are paid on an indemnity basis
- Flexibility to make withdrawals for income, tax-free loans or withdrawals for emergencies.

CONS

• The Hybrid strategy is not applicable to those without adequate assets.





Effects of Traditional Long-Term Care Insurance on Estate

ILLUSTRATION OF THE EFFECT OF TRADITIONAL LONG-TERM CARE INSURANCE **ON PERSONAL ESTATE PERSONAL ESTATE** Cash Assets Non-Refundable Income Traditional Long-Term Care Premium



Effects of Hybrid Long-Term Care on Estate

ILLUSTRATION OF THE EFFECT OF CARE FORWARD LONG-TERM CARE STRATEGY ON PERSONAL ESTATE

Cash Assets Income Repositioned Cash Assets That Remain In Personal Assets



States Considering Long Term Care Tax

4 Months Ago, There Were Only 6 States



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States Considering Long Term Care Tax

What happened in WA

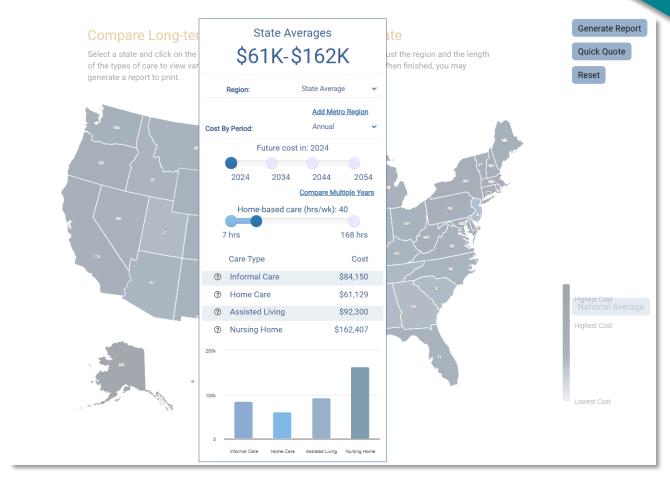
- What is proposed with tax, Same .58 per hundred unlimited, \$36,500 Lifetime Benefit Pool
- Tradition age 65 \$180,000
- We can take an unknown liability unfunded liability...
 and turn into a known liability today for a fraction of the cost.
- Have a benefit pool that increases
- CA is considering a tax of 1.2%



Cost of Care in Your State

Be Informed...Be Prepared

https://nationwidefinancialltcmap.hvsfinancial.com/





Long Term Care Insurance

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