



Long Term Care Overview

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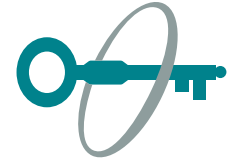
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Agenda



1. Have a Plan

2. Facts and The Problem

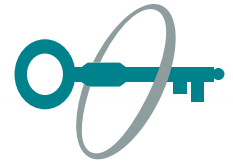
3. Long Term Care Glossary: Generations of LTC

4. LTC Payout Types: Reimbursement vs. Indemnity

5. Legislative Changes

6. Your cost of care

7. Types of Products for LTC Coverage



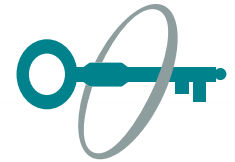
Facts and the Problem

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

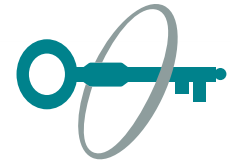
The amount of time that must pass after a benefit trigger occurs but before you start receiving benefit payments. During this period, you must cover the cost of any services you receive.

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 their 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

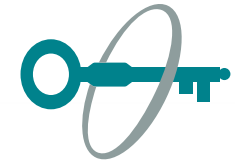
This product is a deferred annuity that includes a long-term care benefit tied to ADL's (in home or facility). These annuities are typically funded with an initial lump sum, single premium payment (qualified funds can be used). These annuities can provide you with lifetime income and can also be used 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

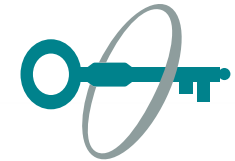
- A Great 1st Step
- Quickly Became Apparent There Were Several Limitations

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.

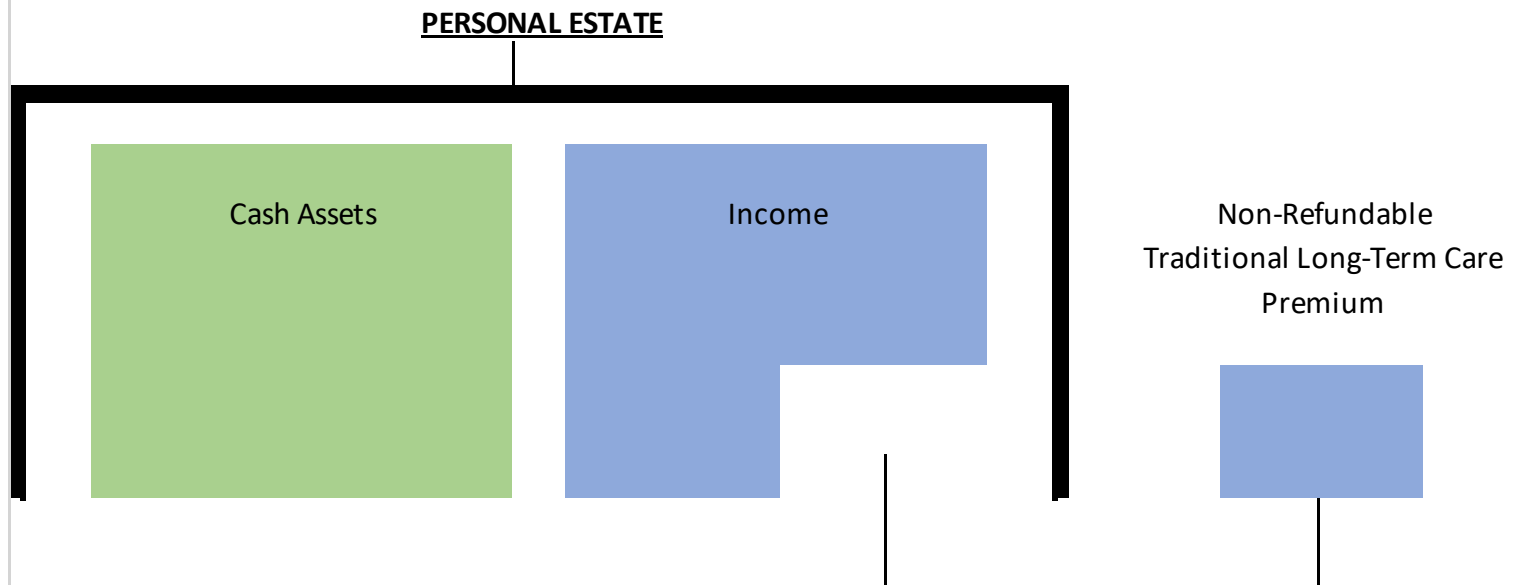
CONS

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



Effects of Traditional Long-Term Care Insurance on Estate

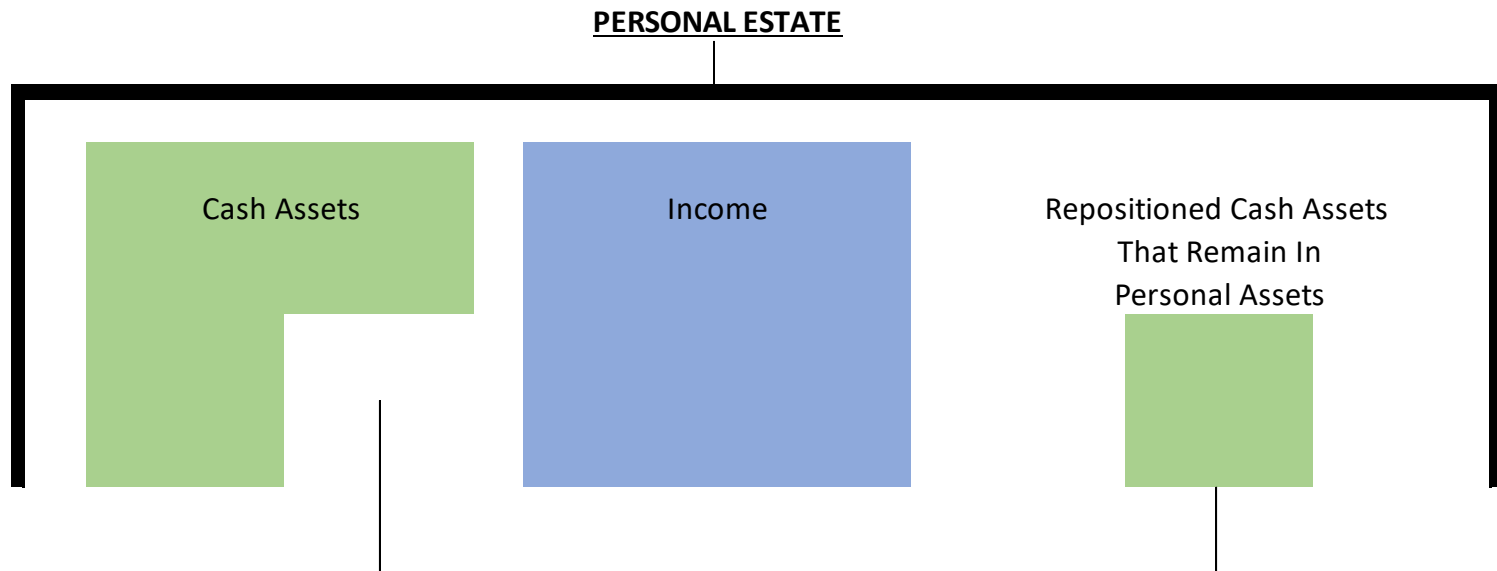
ILLUSTRATION OF THE EFFECT OF
TRADITIONAL LONG-TERM CARE INSURANCE
ON PERSONAL ESTATE





Effects of Hybrid Long-Term Care on Estate

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



States Considering Long Term Care Tax

4 Months Ago, There Were Only 6 States

Multiple States
Considering
Implementing Long-Term
Care Tax | LTC News

- Alaska
- California
- Colorado
- Hawaii
- Illinois
- Maine
- Massachusetts
- Michigan
- Minnesota
- Missouri
- New Hampshire
- New Mexico
- New York
- North Carolina
- North Dakota
- Oregon
- Pennsylvania
- Utah
- Vermont
- **Washington**
- New



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/>

Compare Long-term Care Costs

Select a state and click on the map to view various types of care to view various types of care to generate a report to print.

State Averages
\$61K-\$162K

Region: State Average [Add Metro Region](#)

Cost By Period: Annual

Future cost in: 2024

2024 2034 2044 2054

[Compare Multiple Years](#)

Home-based care (hrs/wk): 40

7 hrs 168 hrs

Care Type	Cost
Informal Care	\$84,150
Home Care	\$61,129
Assisted Living	\$92,300
Nursing Home	\$162,407

200k
100k
0

Informal Care Home Care Assisted Living Nursing Home

Generate Report
Quick Quote
Reset

Highest Cost
National Cost Average
Highest Cost
Lowest Cost



Long Term Care Insurance

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