



## **Long-Term Care Consultants**

*A Bridge Over Troubled Waters*

**Long-Term Care Insurance:**

**It's Not What It Used To Be,**

**It's Better!**

# What is Long-Term Care?

Long-Term Care is Assistance with Activities of Daily Living & Cognitive Impairment

- Bathing (personal hygiene assistance)
- Toileting (using commode)
- Continence (control of bowel/bladder)
- Dressing (including prosthetics)
- Transferring (mobility)
- Eating (including preparation of food)  
and/or

Supervision for Cognitive Impairment  
(Dementia/Alzheimer's)

**Long-Term  
Care is  
also...**

**Companion/  
Personal  
Needs Care**

- **Long-Term Care is personal care.**
- **Long-Term Care is not a place.**
- **Long-Term Care is an event.**
- **Long-Term Care Insurance will pay wherever you live.**

# Where may I receive long-term care services paid by long-term care insurance?

- Your Home
- Assisted Living Community
- Nursing Home

**All of the above may be paid by a long-term care insurance policy.**

# How much does basic long-term care cost?

- Home Care \$62,920 Plus, Annually
- Assisted Living \$58,815 Plus, Annually
- Nursing Home \$116,983 Plus, Annually

Data is from the 2021 Cost of Care Survey:  
Cost of Long-Term Care by State/  
Cost of Care Report/Genworth

*The cost of care is determined by the level of care required.*

# What does NOT pay for long- term care?

- Medicare
- Medicare Supplement
- Health insurance

# What DOES pay for Long- Term Care?

- **Personal Assets**
- **Retirement Accounts**
- **Medicaid (In VA nursing home only)**
- **Long Term Care Insurance**

# **Advanced Medicaid Planning vs. Long Term Care Insurance Policy**

- Medicaid is designed to respond to a catastrophic health incident.**
- Long Term Care Insurance is designed to prevent a catastrophic health incident.**

**These two strategies are opposites.**



# How Should You Pay for Long- Term Care?

1. Personal Assets
2. Medicaid – Advanced Medicaid Planning
3. Long Term Care Insurance Policy

***What is the most tax efficient way for your specific circumstances to pay for long term care?***

# Long-Term Care Insurance Policy Basic Components

## Four Basic Components of LTC Policy

1. Benefit Period
2. Maximum Monthly Benefit
3. Inflation Options
4. Elimination/Waiting Period (Deductible)

# Long-Term Care Insurance Solution Options

- Traditional Long-Term Care Insurance

Or

- Hybrid Long-Term Care Insurance

***Question: What is most tax-efficient way for your circumstances to fund a policy?***

**Long-Term  
Care Solution  
Funding  
Options for  
Traditional  
Long-Term  
Care  
Insurance  
Policies**

- **Personal Income**
- **Health Savings Account (Age-Based)**
- **Business Account** (May be tax deductible.)

# Long-Term Care Solution Funding Options for *Hybrid* Long- Term Care Insurance Policies

- **Existing permanent life insurance with cash value**  
(IRS 1035 Exchange)
- **Existing after-tax annuities**  
(IRS 1035 Exchange)
- **Cost of policy depends on age, gender, health, marital/domestic partner status**

# Pension Protection Act and 1035 Exchange

How are we permitted to exchange existing permanent life insurance policies or existing annuity policies for a new life insurance policy or new annuity policy to include long term care benefits?

**Answer: The Pension Protection Act and  
1035 Exchange**

# What is the Pension Protection Act?

The Pension Protection Act (PPA) of 2006 expanded 1035 exchange to include qualified long-term care insurance which began on January 1, 2010. The PPA allowed for the tax-free exchange of an existing life or annuity policy to a new life insurance or annuity policy that includes long-term care benefits.

The Pension Protection Act of 2006 was created to help protect pensions.

# What is the 1035 Exchange?

**Section 1035 of the Internal Revenue Code (IRC) provides that no gain or loss shall be recognized on the exchange of one life insurance contract for another (or annuity or long-term care contract for another) if the exchange is made according to IRS regulations 7702B.**

- **Life insurance to life insurance/LTC**
- **Life insurance to annuity/LTC**
- **Annuity to annuity/LTC**



# Why Do All Adults Need A Long-Term Care Plan?

- Avoid being a challenge to loved ones.
- Protect retirement income and assets.
- Assure quality care.
- Age in place SAFELY.
- Leverage money to protect lifestyle.
- Maintain independence.
- Maintain quality of physical health.
- Maintain quality of emotional health.

# Key Benefits of Long-Term Care Insurance (LTC)

- LTC pays for personal extended care.
- LTC provides care options.
- LTC is a financial planning tool.
- LTC leverages your money.
- LTC provides support resources.
- LTC allows for someone to manage care.

**Long Term Care Insurance Benefits are Tax Free**

## Frequently Asked Questions

- **What age should I be to consider long term care insurance?**

**LTC insurance companies all have different age guidelines with the requirement range beginning at 18 years old and spanning to 80. The average purchase age is in late 40's or early 50's.**

## Frequently Asked Questions (continued)

- What does LTC pay for and how much does it pay?

LTC policy pays for home care, assisted living community, memory care – all types of care that health insurance or Medicare will not pay for. How much policy pays for each type of care depends on how much benefit you purchase.

## Frequently Asked Questions (continued)

- What if I don't choose to own this type of coverage?

You would have to pay for care completely out of pocket until you hit the state poverty floor (under \$2K in net worth) and then Medicaid would pick up the cost of your care. If Medicaid picks up the cost, Medicaid currently pays nursing home of their choice only.

## Next Steps:

## Questions to Ask Yourself

- *If you had to begin paying a minimum of \$6,000 per month for care for an undetermined period, what is the most tax efficient way for your specific circumstances to pay for care?*
- *Could you maintain your lifestyle and pay for care?*
- *Which assets would you have to liquidate?*
- *What is most tax efficient strategy?*

### ***Set Yourself a Deadline –***

**Time is your enemy when it comes to exploring best long-term care insurance options for your specific circumstances.**

## Why work with a Long- Term Care Specialist?

- **Specialists make the complicated simple.**
- **Specialists offer multiple options.**
- **Specialists focus on educating their clients.**
- **Specialists have experience with claims.**
- **Specialists work with your financial advisor.**
- **Specialists help make informed decision.**

## Quick Review

Why is Long-Term Care a Problem All Adults Need to Address?

Price vs. Cost

- *Because the price of a long-term care policy far outweighs the emotional and physical cost of caring for an infirm adult.*
- *LTC insurance is still the best solution for long term care expenses.*

***TAX-FREE BENEFIT***



Questions?

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*Providing long-term care planning since 2000...*

*there's just no substitute for experience.*