Long-Term Care
SALES KIT

In this kit:

Social media materials | Producer guides | Client profiles

PINNEY INSURANCE

PINNEYINSURANCE.COM | 800-823-4852
2266 LAVA RIDGE COURT | ROSEVILLE, CA 95661

The Great Retirement Income Gap social media campaign PM-784

We're excited to announce a new turn-key social media campaign! Our objective is to educate consumers about the importance of having a long-term care strategy to protect against a possible retirement income gap.

This campaign includes text, images and links, and all content is approved for use. It's easier than you might think to place in your social media channels. In minutes, you can create a robust 11-week social media campaign.

The content library and sample calendar are included in this document.

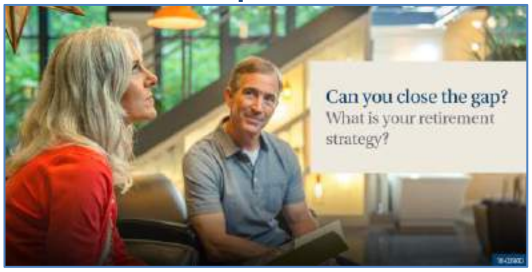
Using our content to create posts

1. Download the social media memes and save them to your computer. Click any image to open it in your browser, where you can save/download it to your device.
2. To create social media posts:
    - **Facebook:** Open your Facebook account and select publish. Select the Photo icon and then Upload Photo. Find the image on your computer and select Choose. After the image has been inserted into your post, select Post.
    - **Twitter:** Open your Twitter account and select Tweet at the top right. When the box opens, select the camera image at the bottom. Use the pop-up box to locate the image on your computer and then select Choose. Click the Tweet button.
    - **LinkedIn:** Navigate to your LinkedIn home page. Select the Share an Update box. Choose the photo image to the right; a pop-up box will prompt you to locate the image on your computer. Select the image and then click Choose. Select Share.

Social media campaigns are a great way to reach and drive conversations with potential clients. Don't miss this opportunity to promote long-term care protection with existing and potential clients. You can educate them about the great retirement income gap and take your social media presence to the next level!

The Great Retirement Income Gap campaign content library

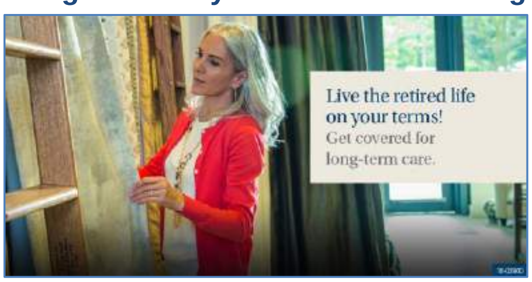
Post 1 — Text/Meme — There's a 70% chance you'll need #longtermcare after age 65. #GreatIncomeGap



Post 2 — Text/Article — As life expectancy increases, so does the likelihood you may need #longtermcare during your lifetime. #Lifeinsurance with asset-based, long-term care protection could help you maintain the quality of life and care you deserve. #GreatIncomeGap

https://www.oneamerica.com/articles/Article-AssetBasedLTC?siteArea=/oacontent/oneamerica/financial-education/individuals/resources

Post 3 — Text/Meme — If you get injured or ill and can't take care of yourself, who will? Get the #longtermcare you need in the setting you want. #GreatIncomeGap



The Great Retirement Income Gap campaign content library (cont.)

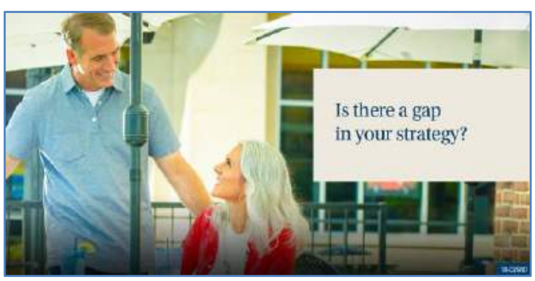
Post 4 — Meme — 69% say most people need long-term care insurance, but only 57% say they personally need it.

Post 5 — Text/Meme — A home health aide costs about $42,000 per year. Most health and government programs don't cover this. I can help. #GreatIncomeGap

Post 6 — Text/Article — Don't drain your savings or #retirement funds with #longtermcare requirements. Let's talk. #GreatIncomeGap

https://money.cnn.com/2018/04/03/retirement/healthcare-in-retirement/index.html

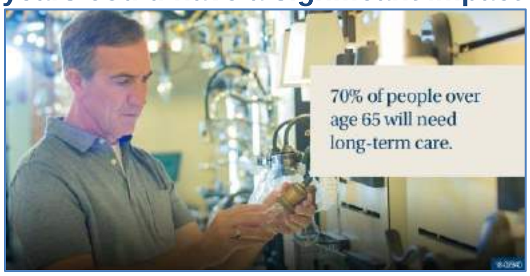
Post 7 — Text/Meme — Premiums for #longtermcare protection are best in your 40s and 50s. #GreatIncomeGap



The Great Retirement Income Gap campaign content library (cont.)

Post 8 — Text/Meme — Don’t let your dreams of living a full life get put off by a serious injury or illness. Protect your dreams. #GreatIncomeGap

Post 9 — Text/Meme — The median cost of home healthcare is $45,000 per year. Just a couple years could have a significant impact on your savings. #GreatIncomeGap



Post 10 — Text/Article — Costs for #longtermcare are on the rise. Live your #retirement years on your terms. #GreatIncomeGap

http://www.lifehappens.org/blog/heres-what-you-need-to-know-about-a-long-term-care-insurance-policy-2/

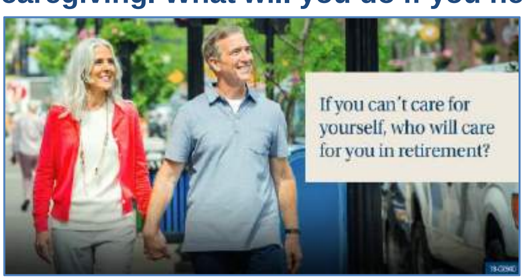
The Great Retirement Income Gap campaign content library (cont.)

Post 11 — Text/Meme — Health insurance won't cover home modifications or help get you dressed, bathed or fed. How will you care for yourself? #GreatIncomeGap

Post 12 — Text/Meme — Protect your loved one's savings and emotional well-being. #retirement #GreatIncomeGap

Post 13 — Text/Video — A nursing home costs about $80,000–$100,000 per year. Health and government programs don't cover this. Let me help. #GreatIncomeGap
https://www.lifehappens.org/videos/long-term-care-insurance-101/

Post 14 — Text/Meme — 33% of family caregivers spend more than 30 hours per week on caregiving. What will you do if you need #longtermcare? #GreatIncomeGap

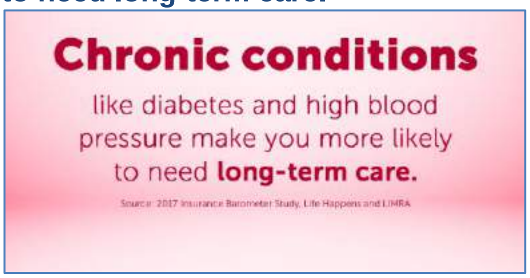


The Great Retirement Income Gap campaign content library (cont.)

Post 15 — Text/Article — Almost half of family caregivers spent more than $5,000 per year in caregiver costs. #GreatIncomeGap

https://www.moneytalksnews.com/ask-stacy-should-have-long-term-care-insurance/

Post 16 — Meme — Chronic conditions like diabetes and high blood pressure make you more likely to need long-term care.



Post 17 — Text/Meme — If your spouse has a stroke, your child's in an accident or your aging parents need help cooking and cleaning, what's your strategy to care for them? Let me help. #GreatIncomeGap

The Great Retirement Income Gap campaign content library (cont.)

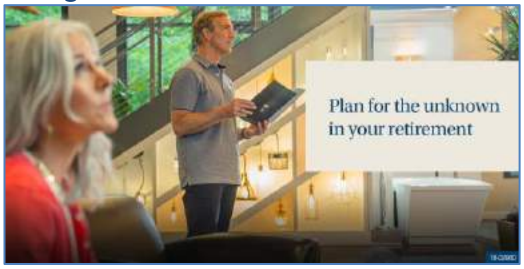
Post 18 — Text/Article — Do you know how your spouse/parent wants to be cared for in the event of a life-changing injury/illness? These tips can help you start talking. #GreatIncomeGap
https://www.forbes.com/sites/carolynrosenblatt/2016/04/21/the-truth-about-long-term-care-and-why-you-must-talk-about-it/#6c9b909068c3

Post 19 — Text/Meme — Don't just hope your family or government programs will care for you long term. Make plans to live on your terms. #GreatIncomeGap

Post 20 — Text/Article — Health insurance and government programs don't cover #longtermcare. If you can't care for yourself, who will? #GreatIncomeGap
http://www.lifehappens.org/blog/6-things-you-didnt-know-about-long-term-care-insurance/

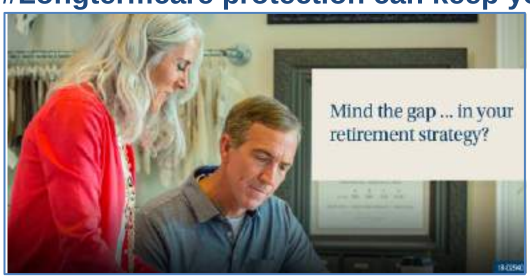
The Great Retirement Income Gap campaign content library (cont.)

Post 21 — Text/Meme — Medicare, Medicaid and medical insurance policies don't cover most #longtermcare costs. Live the #retirement of your dreams, on your terms. #GreatIncomeGap



Post 22 — Text/Meme — 60% of caregivers have to cut discretionary spending; 46% say providing care impacted their health and well-being. What's your strategy? #GreatIncomeGap

Post 23 — Text/Meme — You planned a dream #retirement. Stay in control of that dream. #Longtermcare protection can keep you living where you choose. #GreatIncomeGap



Post 24 — Meme — More than a third of Americans are very or extremely concerned about long-term care expenses.

The Great Retirement Income Gap campaign content library (cont.)

Post 25 — Text/Infographic — You can relieve the burden of #longtermcare from your family if you get seriously injured or ill. Let me help. #GreatIncomeGap

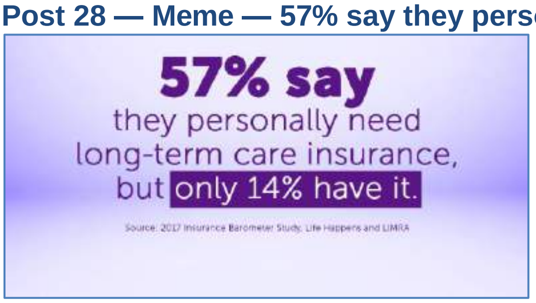
https://cdn2.hubspot.net/hubfs/405630/Who_Will_Pay_for_Care_Infographic_from_LifeSecure.pdf?t=1500664623371

Post 26 — Meme — More than half of people are concerned about paying for long-term care services, but only 14% own long-term care insurance.

Post 27 – Text/Article – Not all #longtermcare protection is created equal. Understand the risk and learn your options. #GreatIncomeGap

http://www.foxbusiness.com/features/2017/06/24/long-term-care-beware-what-medicare-medicaid-does-not-cover.html

Post 28 — Meme — 57% say they personally need long-term care insurance, but only 14% have it.

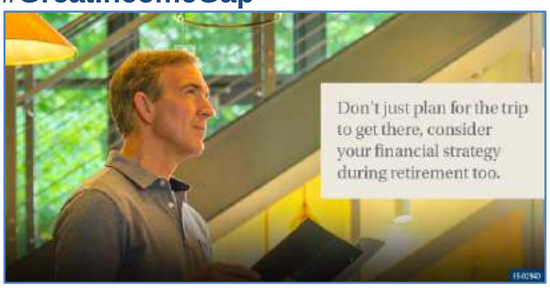


The Great Retirement Income Gap campaign content library (cont.)

Post 29 — Text/Article — There are more options than ever to help you maintain comfort and dignity when you need #longtermcare. #GreatIncomeGap

https://www.oneamerica.com/articles/Article-FEI-What-is-long-term-care?siteArea=/oacontent/oneamerica/financial-education/individuals/resources

Post 30 — Text/Image — What's the goal in mountain climbing? Most would say to get to the top, but it's really to get back down successfully. It's the same with #retirement. I can help. #GreatIncomeGap



Post 31 — Text/Meme — Everyone needs a plan to get down the mountain of #retirement. Obstacles can create detours and halt your descent. Let me help you on your financial journey. #GreatIncomeGap

The Great Retirement Income Gap campaign content library (cont.)

Post 32 — Text/Meme — Expenses impact income in #retirement. I can help. Let’s talk. #GreatIncomeGap

Red = OneAmerica content

The Great Retirement Income Gap campaign sample calendar

MONTH 1

Week 1	Monday – Post 1	Wednesday – Post 2	Friday – Post 3
Week 2	Tuesday – Post 4	Thursday – Post 5	Saturday – Post 6
Week 3	Monday – Post 7	Wednesday – Post 8	Friday – Post 9
Week 4	Tuesday – Post 10	Thursday – Post 11	Saturday – Post 12

MONTH 2

Week 1	Monday – Post 13	Wednesday – Post 14	Friday – Post 15
Week 2	Tuesday – Post 16	Thursday – Post 17	Saturday – Post 18
Week 3	Monday – Post 19	Wednesday – Post 20	Friday – Post 21
Week 4	Tuesday – Post 22	Thursday – Post 23	Saturday – Post 24

MONTH 3

Week 1	Monday – Post 25	Wednesday – Post 26	Friday – Post 27
Week 2	Tuesday – Post 28	Thursday – Post 29	Saturday – Post 30
Week 3	Monday – Post 31	Wednesday – Post 32	

NATIONWIDE RETIREMENT INSTITUTE®

Long-term care benefits and what they cover

People are living longer these days — life expectancy has increased 30 years in the last century.[1] While this is great, it also means we're more likely to need long-term care in retirement than previous generations.

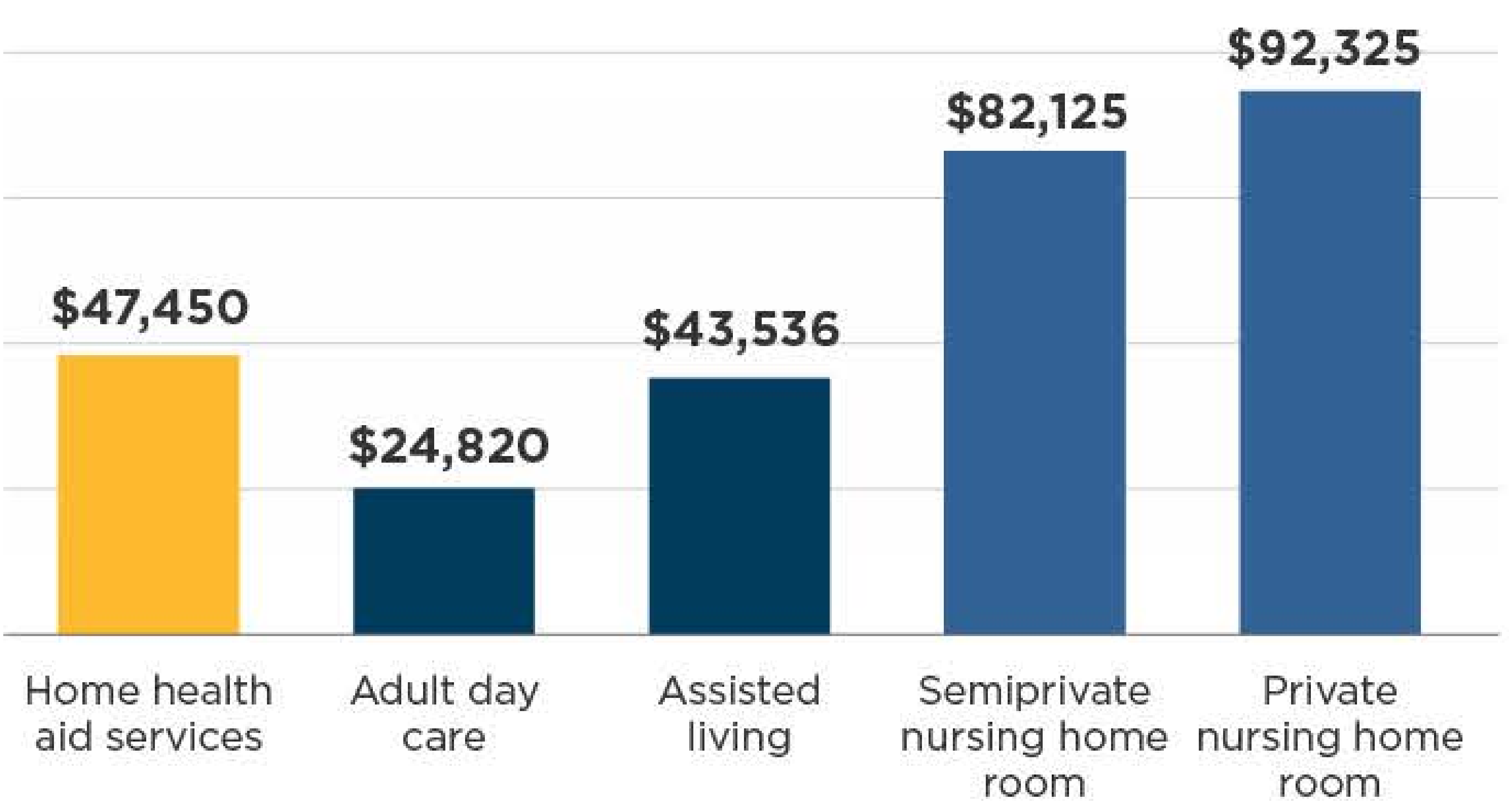
A 65-year-old person has a 70% chance of needing some form of long-term care in their lifetime.[2]

[1] U.S. Census 2010.

[2] "The 2015-2016 Sourcebook for Long-Term Care Insurance Information," American Association for Long-Term Care Insurance.

Know the costs of long-term care

On average, a long-term care claim lasts 3.9 years. Here are the current annual median costs of long-term care:



Source: "Long-Term Care Insurance Statistics," LTC Tree (Aug. 16, 2016)

Staying at home may be an option

Many people mistakenly think that long-term care automatically means nursing home care. In reality, more than half of all long-term care services are provided in the home.

52% home health care

20% assisted living

28% nursing home

Source: "The 2015-2016 Sourcebook for Long-Term Care Insurance Information," American Association for Long-Term Care Insurance

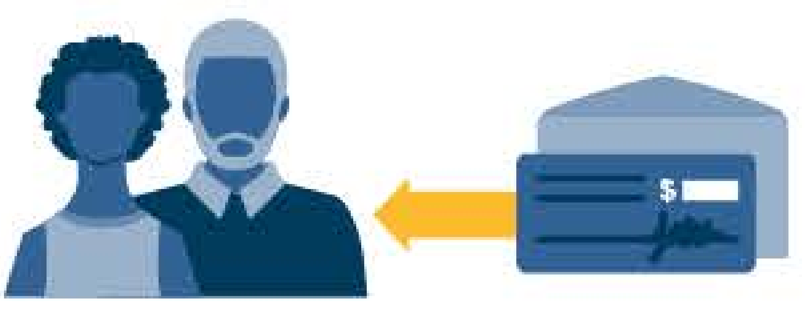
6 out of 10 of those who start receiving care in their home stay in their home

Source: American Association for Long-Term Care Insurance (April 19, 2018)

Of those who receive care in a nursing home, **38%** fully recover or continue care at home

Source: National Care Planning Council (August 2016)

Flexibility varies by the policy you choose



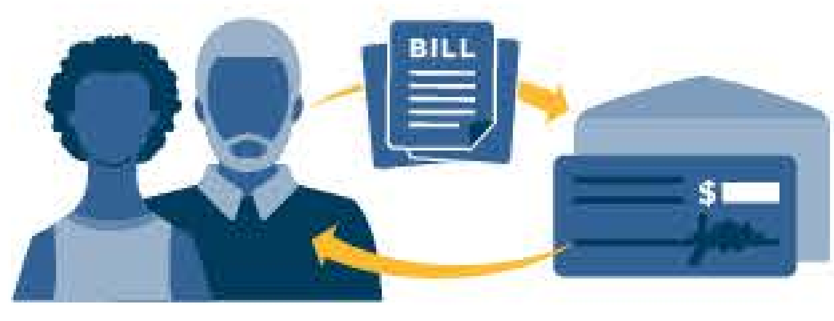
INDEMNITY-STYLE

offers more flexibility in how the monthly benefits are used

Receive benefit check monthly

Use your monthly benefit check on your care as you see fit

You're in full control of how the monthly benefit amount is spent, including paying family, friends and caregivers for LTC at home



REIMBURSEMENT

may limit what the monthly benefits can be used for

Submit bills monthly

Wait to see what services are covered under your policy

Insurance company sends a check for only what's covered

You might need to pay for services not covered

You won't have benefits to pay for "uncovered" costs — you'll pay for those out of pocket

Ask your advisor to help you complete a Health Care/Long-Term Care Cost Assessment so you can discuss options to help cover these costs.

NFW-3864AO.4

Nationwide® is on your side

Nationwide®
is on your side

NATIONWIDE RETIREMENT INSTITUTE®

Breaking the Ice With Your Clients:

How to broach the topics of health care and long-term care costs in retirement

Insights from the 2018 Nationwide® Health Care and Long-term Care Consumer Survey of affluent U.S. adults, age 50+ with a household income of $150k+

It's no secret that people don't like to think about getting older, falling ill or needing to rely on others as they age. These topics are emotionally charged and deeply personal. Broaching these subjects can become increasingly challenging once your client faces a health issue or goes through the process of caring for or losing a parent.

Still, nearly 8 in 10 affluent U.S. adults expect their financial advisors to provide advice on planning for health care and long-term care costs in retirement. Here are some ways to break the silence, build confidence and help your clients prepare early to make informed decisions for their retirements.

HEALTH CARE COSTS IN RETIREMENT

BREAKING THE ICE

- Start by asking about your client's retirement goals. Do they see themselves traveling the world? Spending time with grandchildren? Pursuing a passion?

- Broach the subject gently with something like: *"Together we can make a plan to help prevent health care expenses—one of the largest costs in retirement—from getting in the way of these aspirations. Of course, there are a lot of unknowns. But once we estimate your costs, we can figure out a way to fund your lifestyle in retirement, so you can feel more confident about your financial future."*

- Be empathetic, listen attentively and use a warm tone.

ESTIMATE CLIENTS' HEALTH CARE COSTS IN RETIREMENT

- Ask your clients about their projected health care costs in retirement. Survey respondents' average annual estimate for themselves is $8,800, while their average annual estimate for their partners is $14,000. According to the Employee Benefit Research Institute, out-of-pocket health costs are expected to stack up to $296,000 - $399,000 throughout retirement for the average 65-year-old couple.

Source: "Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as $400,000, Up From $370,000 in 2017" at age 65 assuming 90% chance of having enough savings, EBRI, October 8, 2018.

- Complete **Nationwide's Heath Care Cost Assessment** together to build an estimate of each client's personalized expected health care costs in retirement.

  Visit nationwidefinancial.com/healthcare

  Call the Retirement Institute Income Planning Team at 1-877-245-0763

SOLVE FOR CLIENTS' HEALTH CARE COSTS IN RETIREMENT

- Use the clients' personalized Health Care Cost Assessment results along with Nationwide's simple **Health Care Solutions Guide: Quick Quote** tool to help your clients plan for covering estimated health care costs in retirement.

  Visit nationwidefinancial.com/healthcare

  Call the Retirement Institute Income Planning Team at 1-877-245-0763

LONG-TERM CARE COSTS IN RETIREMENT

WAYS TO OPEN THE CONVERSATION

- The best time to start thinking about long-term care costs is before your client needs long-term care because your client may need to health-qualify, or be in good physical and mental health. Often this means that their 40s or 50s is the right time to buy.

- Gently ask about your client's experience in caring for their parents as they age and see if they are comfortable talking about it:

  Have they needed care yet? Who is their primary caretaker? Is this caretaker paid? How do they fund the care? Do they receive care at home or in a facility? Was a plan laid out in advance?

- Often clients will formulate beliefs about what they would want for themselves while preparing for or caring for a parent. They also may have been involved in financially preparing for their parents' care.

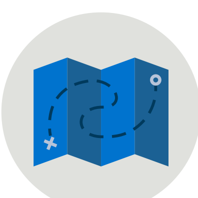
- Planning for long-term care costs can be integrated into any comprehensive retirement planning discussion. Try saying something like:

  "As we plan for your retirement, we also want to account for potential costs you may face down the line. Expenses like long-term care are very common in retirement—in fact, seven out of 10 people over age 65 will need long-term care at some point in their lives. If we estimate these expenses now, we can help you plan for the type of care you want later in life."

  Source: "Medicare and You 2016," Centers for Medicare and Medicaid Services (September 2015).

- Explain how a long-term care plan may provide them with the flexibility to select their care, if they need it.

- Be empathetic and test the waters by broaching the topic a little at a time—most people don't like to think about getting older or potentially needing to rely on others.



SHARE THE FACTS TO HELP CLIENTS SEE THE IMPORTANCE OF MAKING A PLAN.

- More than three-quarters (77%) of respondents say that if needed, they would most prefer to receive long-term care in their own home. But nearly half are worried about the negative impact this preference could have on their families. In fact, 65 percent would only rely on a family member for long-term care if they had a source of funding to pay them.

- Actual annual long-term care expense estimates range depending on the location:

  $18,379 adult day health care

  $46,350 assisted living facility

  $50,668 home health aide services (6.5 hours/day)

  $88,348 nursing home (semiprivate)

  $100,379 nursing home (private)

  Source: "Long-term Care Insurance Statistics," LTC Tree (June 12, 2018).

- Complete **Nationwide's Heath Care/Long-term Cost Assessment** together to build an estimate of each client's personalized expected long-term care costs in retirement.

  Visit nationwidefinancial.com/healthcare

  Call the Retirement Institute Income Planning Team at 1-877-245-0763

DISCLOSURES:

For Financial Professional Use Only

The fourth annual Health Care/Long-term Care Survey was conducted online within the United States by The Harris Poll on behalf of Nationwide from February 5-22, 2018 among 1,007 adults ages 50 and older who have a household income of $150k or more ("affluent adults"), and 522 U.S. adults ages 50 and older who are or have been caregivers. Caregivers are defined as those providing paid or unpaid long-term care to a friend or family member, not through an agency, business, or non-governmental organization. Data are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, and propensity to be online to bring them in line with their actual proportions in the population.

This material is not a recommendation to buy, sell, hold, or rollover any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

This information is general in nature and is not intended to be tax, legal, accounting or other professional advice. The information provided is based on current laws, which are subject to change at any time, and has not been endorsed by any government agency.

Nationwide Investment Services Corporation (NISC), member FINRA, Columbus, OH. Nationwide Retirement Institute is a division of NISC.

NFM-17454AO.1 (01/19)

Connecting the Dots Between Aging at Home and Long-Term Care Protection

A New Way of Presenting the Value of Long-Term Care Protection Products
by *Dr. Sandra Timmermann*

ABOUT SANDRA TIMMERMANN, Ed.D.

Sandra Timmermann is a nationally recognized author and spokesperson on the topics of aging, retirement and long-term care. She is currently a Visiting Professor of Gerontology and Retirement Living at the American College of Financial Services, a Special Advisor to the Board of the Retirement Income Industry Association, and a consultant on retirement issues. She founded the MetLife Mature Market Institute and held senior staff positions at several aging organizations including the American Society on Aging, AARP, and SeniorNet.

AXA is proud to establish a relationship with Dr. Timmermann to deliver training for financial professionals around the issues of aging, retirement life stages, and long-term care protection, as well as informational materials and seminars for their clients. This paper provides guidelines for financial professionals who want to have a better long-term care discussion with their clients by connecting the home with the protection their clients need.

introduction

When you're sitting down with your clients to talk about financial or retirement planning, do you ask them about their home? Do you know where they'd like to live as they grow older or if they develop a disabling condition? Many financial professionals don't. If talk of the home and living situation occurs at all, it focuses on the early years of retirement, when people dream of buying a second home, moving to a warmer climate, or relocating closer to family.

When a health crisis occurs, however, housing is always at the heart of the conversation:

- *"My wife fell and now can't get upstairs."*
- *"Dad's memory isn't what it used to be and he shouldn't be living alone."*
- *"My parents can't drive anymore, and they are isolated in their house."*
- *"Is there enough money to pay for care and services at home?"*
- *"Where do we find good home care?"*

Talking about where to live at various stages in the retirement lifespan is relevant not only to your clients, but also to their spouses, adult children or others who will end up caring for them. By including housing in the discussion, you are not only selling a product. You are making a real difference in their security and quality of life.

Table of Contents

Framing the Issue:
The Age 50+ Consumer

Greater Numbers Will Need Long-Term Care

There are two important reasons why long-term care planning needs to take place:

1. The Boomers, born between 1946 and 1964, are now already retired or thinking about it. It's a very big cohort. And there are more younger boomers than the older ones. They are the ones who are transitioning to retirement and are good candidates for a long-term care discussion.

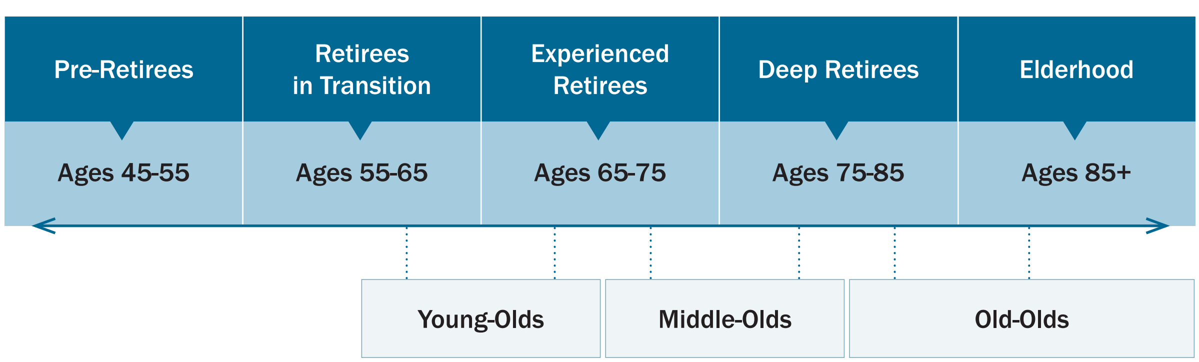
2. Longevity rates are increasing and the age 85+ cohort is growing at a fast rate. A man who reaches age 65 can expect to live to age 84.3 and a woman, age 86.6.[1]

The result is that more people will reach old age. One of the downsides of long life, however, is that the older you get, the more likely you are to develop chronic health conditions.

Life Changes Across the Retirement Continuum

Retirement is more fluid than it was in the past. Retirees today are healthier, work longer, often go back to school, and do their best to stay "in the game." Despite that, there are still some distinct stages in the later years of life as people move from their 50s into their 60s, 70s and beyond. The chart below uses arbitrary chronological ages, although in the new retirement, it is more about function than chronology. Nonetheless, most people will eventually move along this continuum as they age.

The Retirement Life Stage Continuum: Needs Change Along the Way



1 Social Security Administration website, https://www.ssa.gov/planners/lifeexpectancy.html.

As people move along the continuum, they think holistically about many things, not just a spreadsheet. Many in financial services find that their clients want to focus on the early retirement years and the things that they have been looking forward to, like travel and pursuing personal interests. Replacing income and employee benefits, and making sure they have enough assets to last a lifetime are top of mind. It's harder to get them to focus on the years when they might be less mobile and in need of assistance.

Their thinking changes, however, at later stages as they move through the continuum. When they reach their mid-seventies and beyond, it gets more difficult to ignore the reality of mortality. Health issues and costs are more likely to be on their minds. And they are much more aware that they might need extended care, or they might have already faced that reality. By that age, having conversations about how they will cover long-term care costs are likely to be part of the discussion. But at that point, it may be too late. Which is why you need to raise the issue early.

What Are Retirees Thinking About?

Pre-Retirees	Recently Retired	Deep in Retirement
• Replacing Income?	• Expectations Met?	• Suitable Housing?
• Replacing Benefits?	• Change in Health Status?	• Who Will Provide Care?
• Medicare Options?	• LTC Concerns?	• Care Plan In Place?
• Work Longer?	• Finances Secure?	• Family Conversation?
• Aging Parents?	• Happy or Bored?	• Downsize/Declutter?
• Stay or Move?	• Legal Papers?	• Papers In Order?
• Family Responsibilities?	• Family Concerns?	• Non-Financial Legacy?
• Retirement Goals?	• Giving Back?	• End-of-Life Wishes?
• Enjoyment?	• Life Goals Change?	• Funeral Plan?
• Volunteer More?		• Life Goals Now?

The Link Between Housing and Long-term Care as Clients Age

Clients Want to Remain at Home as They Age

So how does the home fit into a client's retirement and long-term care plan, and why is the connection so important? There are three important elements of the home that intertwine:

1. Financial—the home often represents the biggest asset or a large part of a client's balance sheet. It can be used as a financial tool—to downsize and use the money for income, or to draw equity from, such as with a reverse mortgage.

2. Physical aspects of the home itself—whether it is conveniently located, how much maintenance is required, and its suitability for retirement living once the children are grown and off on their own.

3. Perhaps the most powerful is the emotional connection with the home—the place we love, the familiar surroundings and the nest we retreat to for peace and enjoyment. Our homes may not be the ideal place to age in place, and there may be financial and other logical reasons to move, but the emotional connection to stay at home indefinitely trumps it all.

Most people, when asked, say they want to be at home when they age. According to AARP research, **87%** of adults age **65+** want to stay in their current home as they get older. Among people ages **50** to **64**, **71%** want to age there.[2] It's worth noting that even if people move, they still want to age in their new home, not in an institutional setting.

2 AARP Public Policy Institute, "What is Livable? Community Preferences of Older Adults," April, 2014.

A Need to Think About Housing Earlier

In the early retirement years, there isn't much thought about housing suitability for aging. In fact, a recent study found that half the people who moved in retirement didn't downsize, and 30% of those who moved, actually upsized.[3] By mid-point, however, house-dwelling retirees usually recognize that their house is too big, that it requires a lot of maintenance, and that it is not "age friendly." The conversation usually turns to being burdened by "too much stuff" and the bittersweet recognition that their adult children don't want the once-treasured keepsakes or even the bone china and crystal.

By the time clients are deep in retirement and if they still haven't given housing much thought, it's possible that their physical energy will be sapped or a crisis will occur, so they simply stay put. The end result is that someone else (probably an adult child) makes a housing decision for them, perhaps moving them prematurely to an institutional setting.

What Retirees Are Thinking About Housing

Pre-Retirees	Retirees in Transition	Experienced Retiree	Deep Retirees	Elderhood
Ages 45-55	Ages 55-65	Ages 65-75	Ages 75-85	Ages 85+

- Not likely to move
- Could move for amenities or location
- Not thinking much about housing and LTC link
- Aging parents create some housing awareness

- Reality setting in
- Likely to have some health issues
- Anxiety about "too much stuff"
- House is not "age friendly"

- Inertia reigns
- Care crisis creates need for a move
- Loss of control
- Children make decisions

3 Merrill Lynch/AgeWave, "Home in Retirement: More Freedom, More Choices," 2015.

Aging at Home:

Inroads into a Long-Term Care Discussion

It all sounds very logical to begin long-term care and housing discussions—the need for care, how to pay for it, who will provide the care and where it will be delivered—at least when people are in their late 50s and early 60s, but the truth is most don't want to think about it so they put any conversations about it off the table. That's a mistake. Requiring long-term care services may or may not happen, but the probability is about 50%.[4] Not everyone will need the type of extended care that meets the criteria for long-term care coverage, but the odds increase as age increases.

Needing Long-Term Care: An Unpleasant Discussion

The thought of nursing homes and our own frailty creates negative images that are unpleasant. Add to that the fact that we live in a youth-oriented society where employment is synonymous with productivity, and those "at leisure in retirement" are perceived to be using up entitlements and not contributing to the Gross National Product (GNP). Age discrimination, as subtle as it may be, does exist, and it rubs off on the retirees themselves.

The old vision of a retiree sitting on the front porch with nothing to do is far from the reality these days—retirees are active and making significant contributions to their communities and their families up until the end of life. Age denial is real, however, as illustrated by the rise in anti-aging skin care products, Botox, blond-haired 90-year-olds, the silver fitness craze and the belief that if you just take care of yourself, you will dodge the long-term care bullet. Add to that the high cost of care and insurance that you may never use, and it's easy to understand why people put off the discussion.

But deep down, clients are worried. When asked what their major concerns are about retirement, long-term care rises to the top. One study found that "providing for you/your spouse's/partner's long-term care needs" and "being able to afford health care in retirement" were the two major concerns, even above "having enough money to live comfortably in retirement."[5] Another study found that health care costs were the greatest financial concern in retirement, but that seven out of ten married pre-retirees have not discussed how to pay for it or for long-term care.[6]

There is, in fact, a disconnect about this hidden concern and how financial service professionals handle it. A study of widows and widowers by the Retirement Income Center and the Center for Women at the American College of Financial Services found that widows were more concerned than widowers about needing care and being able to stay at home, but very few advisors had brought it up in planning sessions.[7]

4 Department of Health and Human Services, Administration for Community Living, https://longtermcare.acl.gov/the-basics/who-needs-care.html, 2017.
5 MetLife Mature Market Institute, "The MetLife Report on the Oldest Boomers," 2013.
6 Merrill Lynch/AgeWave, "Health and Retirement: Planning for the Great Unknown," 2014.
7 Timmermann, Sandra, "Widows, Widowers and Their Advisors: A Glass Half Full," InsuranceNewsNet Magazine, April, 2017.

A Good Solution: Aging at Home, Not a Nursing Home

The old way of thinking about housing and long-term care was linear. As people aged, they moved from their home to supportive housing to assisted living and then finally to a nursing home. That model is not appealing to the vast majority of people. Fortunately, there is a new way of thinking – that people should be able, with supportive services, to stay at home until they die or until their impairments require more intense care.

Interestingly, the government is taking the lead in this new thinking in public assistance programs. They are responding to people's preferences and mostly likely see it as a way to save Medicaid dollars. The number of nursing home beds has diminished and instead of moving people who really do not the need high levels of care in institutions, the focus is now on "community-based long-term care services and supports." However, there is a missing link in this policy direction. The community-based government infrastructure isn't robust enough to care for all the long-term care needs people have, and family caregivers may bear the brunt of the change in policy.

For those who have the resources and plan ahead, however, the story is different. By having money to pay for care and other services, the home can become the best place to grow old.

That is one of the major benefits of long-term care coverage — enabling people to stay at home longer or until end of life.

Home Care Services: Expensive but More Cost Effective

According to cost of care studies, rates continue to rise for all long-term care services; home care services are no different. The 2016 median rate for homemaker services (cooking, chores, and companionship) is $20 an hour, up 2.6% since 2015. The median rate for home health care (hands on personal assistance but not medical care) is $20 an hour, up 1.25%. At 44 hours per week, the average rate for a home health aid is $3,861 per month.[8]

Average assisted living base costs may seem comparable ($3,628 per month) but there are often hidden fees for things like extra personal care, medication management, and dietary requirements. And unlike care at home, it is harder to find a way to stretch the dollars. One way to make the money go farther is to tap into community services such as Adult Day Care, where the care recipient can go for all or part of a day, participate in activities, and be supervised. Adult Day Services are $68 per day on average.[9] Also, if the family can provide some hours of care, ten hours of home care per day may not be necessary; paid care plus family care is a good combination. Or perhaps a family member, instead of giving up income from a job, could be paid by the care recipient for caregiving. The combination of family care and paid care, in the long-run, will enable people to stay at home longer and enjoy a good quality of life.

8 Genworth, Cost of Care Survey, 2016.
9 Genworth, Cost of Care Survey, 2016.

Home Care Services and Community Resources

With the focus on remaining at home and aging in place, more community-based services are springing up around the country. This trend is important to note, as it makes it easier for people to envision what an age-friendly community might be like. Also, one of the difficulties of aging at home is how hard it is to coordinate services. Progress is being made.

Towns, cities, and states often provide a range of low-cost services, such as transportation to doctor's appointments and home delivered meals-on-wheels. These services can be accessed by contacting the local Area Agency on Aging (often under a different name) and/or the Eldercare Locator (**www.eldercare.gov**) or a local senior center.

In addition, more small businesses are being established to meet the growing need for those who are aging at home. These fee-based services range from geriatric care management to home remodeling to pet sitting. New innovative community models are also under formation. One is called Continuing Care at Home (often sponsored by a care facility) where people pay an upfront and monthly fee for being assured that they will have home services as long as they live at home. Another is the Village to Village Network that currently has about 200 Villages in operation or in formation. For a small membership fee, a concierge plans neighborhood activities and can provide information to the Village members about vetted home care agencies, repair services, etc. It is also built around volunteerism, so members can help each other.

Linking with Community-Based Long-Term Care Services

Health and LTC-Related Services

- Home Health Agencies
- Medical/Dental/Mental Health
- Hospitals
- Geriatric Care Management
- Pharmacies
- Acupuncturists

Home and Community Services

- Real Estate Agents
- Home Remodeling
- Moving Services
- Retirement Communities
- Home Care Agencies

Professional Services

- Elder Law Attorneys
- Funeral Homes
- Appraisers and Auctioneers
- Financial and Bank Services

Government/Non-Profit

- Senior Centers
- Adult Protective Services
- Adult Day Care
- Meals-on-Wheels
- Alzheimer's Association

The combination of family care, government social services, fee-based services and paid care, in the long run, will enable many to remain at home and to enhance their quality of life. Client discussions often do not reach this level of detail, but it might be worthwhile to get to know not only about the cost of home care but also what is available in a local area. This can also be helpful to clients who have aging parents and may become (or already are) caregivers.

Home Care Services: Helping the Family, Not Just the Client

Families often provide the lion's share of care. The dollar value—what the government would have to pay if families didn't provide care—is estimated at $470 billion.[10] One in five households is providing care. The majority of caregivers are in their late 40s or early 50s, which are prime working years, though one in ten are spouses.[11]

Family caregivers provide care for a long time, and often begin the journey not realizing the path ahead.

The average duration of a caregiving experience is four years. The higher-hour caregivers are four times as likely to be caring for a spouse. Ironically, spouses who are the same age as the care recipient may be frail or experiencing some physical or mental challenges of their own. The result is that they often neglect their own health, and because of the physical and emotional difficulties in providing care, end up getting sick and needing care themselves.

Often discussions with a client don't include the ramifications of relying solely on the spouse or adult children if care is needed, or putting off decisions which eventually necessitate the adult child to drop everything and deal with Mom or Dad. Without a plan, adult children may end up being in control of where a parent should live, and may make decisions that are not what their parents really wanted.

10 AARP Public Policy Institute, "Valuing the Invaluable: 2015 Update," July 16, 2015.
11 National Alliance for Caregiving and AARP, "Caregiving in the USA," June, 2015.

Age-Friendly Houses: Essential for Remaining at Home

Many of the homes older clients live in are not suitable for their lifestyle and life stage. If your clients are moving, they may want to consider homes that need minimal or no maintenance, with bedrooms on the ground floor, and retail shops and health care nearby. However, most people want to stay in their current home, or in their newer home, which may not be "age-friendly" either. Retrofitting a house in advance of need is money well spent. Builders of new developments usually include grab-bars in bathrooms, "comfort level" toilets, easy-to-turn faucets, low kitchen cabinets, wider doors and other accommodations for people as they age. The same can be done in older houses—and still be attractive additions—at a fairly low cost. Having a bedroom and laundry room on the first floor is a great start. Then, as needs change, ramps and other alterations can be installed to make life easier.

There are also plenty of small things that can be done at no cost right away. Those in the aging field suggest doing a home audit to make sure that people don't trip on extension cords and rugs, for example. When older people fall and break a hip, it can be the turning point for them, and they can end up in an institutional setting. Technology in the home can also enable people to feel safe and connected to others, to say nothing of alleviating the concerns of adult children. Monitoring devices such as Lifeline and remote blood pressure monitoring can make it easier for people to remain at home. And for those who can't get out very often, the internet and online networks for caregivers or the homebound are invaluable.

De-cluttering is a topic that older clients inevitably face. It's a dilemma to divest of the worldly goods collected over a lifetime, and perhaps were even inherited from their own parents. Usually, children don't want what the parents have. If people wait to deal with their "stuff" into their late 70s and 80s, when energy levels are lower, it's likely that they may do nothing at all. Clutter can be a physical and mental hazard. There are people who specialize in helping people sort, sell, and distribute their accumulated goods, a service worth knowing about. Many adult children who are clients may have to face cleaning out Mom and Dad's houses when they die, not a pleasant prospect if the house is chock full of things.

Part of planning for aging in place is evaluating what a home will need over time. Estimating costs for the changes that are needed to remain at home safely should be discussed and factored into planning for long-term care.[12] It is smart not to wait until a crisis occurs and to get started on remodeling or retrofitting at retirement or before.

12 MetLife Mature Market Institute, "Aging in Place Workbook: Your Home as a Care Setting," November, 2010, is a good resource. https://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-aging-place-workbook.pdf.

Helping Clients Make a Long-Term Care Decision:

Some Strategies

Putting all the pieces together and helping clients address where they would like to grow old isn't always easy. Asking some probing questions that put together housing with finances, health concerns, and support from family may help them be realistic about their own aging and the need to plan ahead. It's neutral territory to start talking about the house and gradually move into more sensitive areas.

Ask Questions

- Do you plan to stay in your own house? If so, how long?
- If you have thought about moving, where would you go?
- What type of house would you buy?
- If you became a widow or widower, or are currently on you own, if something happened to you, could you live alone where you are without support?
- What kind of support would be needed?
- Can your spouse take care of you if something happens, and vice versa, can you take care of your spouse if something happens?
- Do you have adult children and, if so, do they live nearby?
- Realistically, how much can you and should you expect from them?
- Do you want to live as long as possible in your home or move to assisted living or another setting?
- If you do want to remain at home, have you estimated home care costs?
- Do you know the services available in your community?
- How much care do you think you will you need?
- How will you finance home care?
- Is your home suitable for aging in place?
- If not, can you make some adjustments now or move to a new home?
- What happens if you become incapacitated and have not made plans?

Use Psychology in Communications

As people age and move from the early to mid and then later retirement, the recognition of the finite nature of life—and the fact that they will die someday—becomes more and more apparent. As they acknowledge that they are moving into a new life stage, they have certain attitudes, fears and hopes for the future that may get in the way of planning. A few touch points are:

VALUING INDEPENDENCE. Americans, and especially older Americans, value their independence. Older people in other cultures often expect to move in with their children, but up until now, this has not been viewed as a viable option in the U.S., either for older or younger people. Help clients understand that long-term care planning will allow them to stay independent and in their own homes longer.

FEAR OF AGING. As discussed earlier, most people are trying hard to stay young, or certainly to remain as healthy as they can to ward off the ravages of age. Because of the culture's focus on youth, denial of aging is a part of the American psyche. When talking to clients, don't scare them about the probability of needing long-term care and focus on frailty and disability. Instead, explain that they can stay at home while maintaining as much functionality as possible, as long as the house is set up properly and they have sufficient paid services.

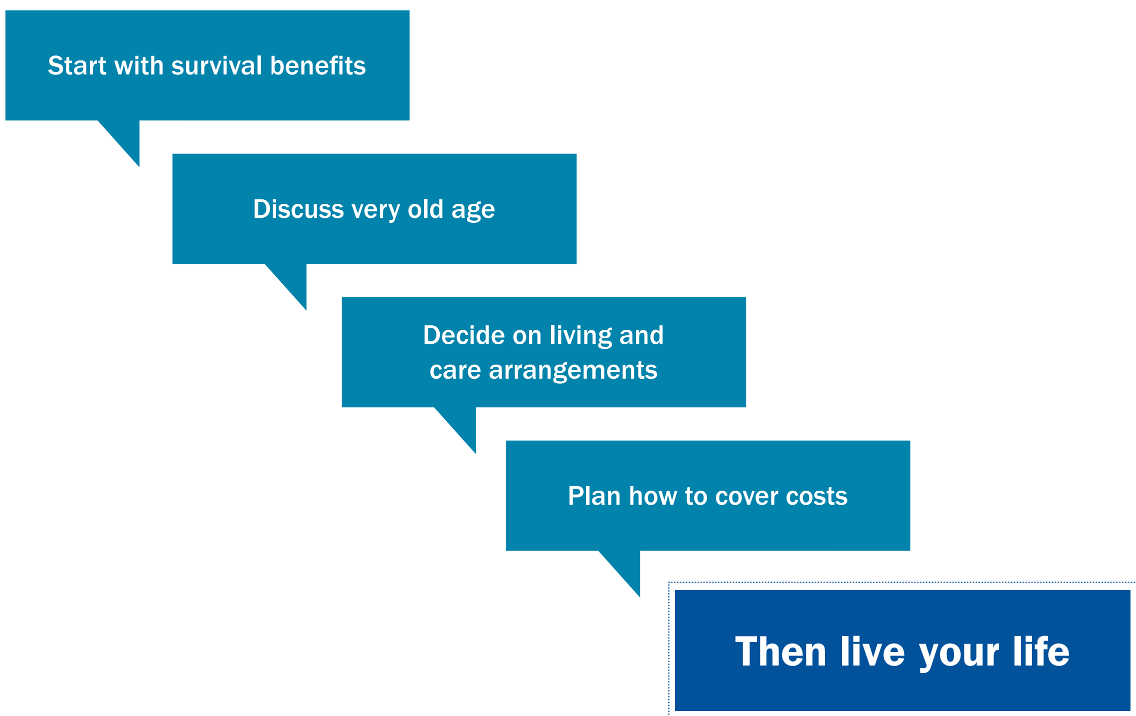
LOSS OF CONTROL AND DIGNITY. Older people who become frail or cognitively impaired may ultimately lose control of their lives and the ability to execute their affairs on their own. Others may have to step in to make decisions for them, like moving them into a nursing home when they would rather remain at home. Losing control and no longer being able to take care of oneself is a deep-seated anxiety that the majority of us hold. Helping clients understand that one of the greatest attributes of long-term care planning is that it will enable them to have the outcomes they want, such as staying at home, even if their disabilities make it difficult or impossible to be in charge themselves. Addressing this anxiety in a sensitive way can result in client action now rather than waiting until a crisis occurs.

FAMILY WELL-BEING. From the perspective of an older person, leaving a non-financial legacy—how he or she will be remembered—is equally as important as leaving a financial nest egg to the next generation. Clients usually don't think in advance about the lasting effects and unpleasant memories that caregiving may have on their family—physically, financially, and emotionally. Helping clients understand that putting plans in place to age at home—since the caregiving experience starts there—makes it easier on their family right from the start and doesn't create the need for spouse or siblings to agonize over what decisions to make and how to pay for care.

FINANCIAL SECURITY. Perhaps the most obvious is the financial importance of long-term care planning, even for home care, which often appears less expensive than institutional care but can be very costly. Clients who calculate the costs of care in various settings can easily realize that long-term care can derail their best efforts to build a portfolio and have a good income in retirement. A comparison of their future portfolios with and without long-term care protection can be dramatic. But the high cost of long-term care insurance has been a deterrent, and is coupled with the fact that some people may not need it. New product ideas may help people take action. Reverse mortgages may be one way to pay for care. But new products such as life insurance with a long-term care rider offer an appealing way to hedge their bets and still come out ahead.

Work Backwards

One way to start a conversation is to have people envision their very last years of life while they are still healthy and it is still an abstract thought. The question that can be raised is “Where do you think you will live in the last years of your life?” Clients and advisors can play out different scenarios. Do they want to move in with their children? (Probably not.) Do they want to buy into a Continuing Care Retirement Community, which requires advance planning as you must move in when you are in good health? Or would they rather age at home? This approach enables advisors to discuss the issue head on. The theory behind it is once the last years of life are taken care of, people can then plan for their early and mid-retirement with peace of mind.



Summary

Housing and where to live is on the minds of many clients but often not discussed as part of a retirement plan. The house and what clients' housing plans are as they age is a good way to start a conversation about long-term care needs in retirement. The discussion can include preferences for staying at home or for moving, how housing needs might change over time and what will enable people to remain at home as they age.

Serving as a resource on the cost of care and the resources available in their community will be an extra add-on. Getting to know the professionals and volunteers involved in the aging community will also create good will and potentially become a source of business referrals.

Understanding the psychological aspects of aging—the need that older people have to make sense of their lives and their fears of losing control—should be considered in any discussion of long-term care and where clients hope to spend their later years.

Tackling the thorny issue of where to live in the last years of life when clients are in the pre-retirement years makes the most sense. They are most likely to be excited about their new life stage while they are in good health. With some advance planning for the possibility of needing long-term care sometime in the future, they can get that out of the way and then focus on **building an enjoyable and fulfilling life in retirement**.

notes

The Long-Term Care Services℠ Rider is available with AXA Equitable and MONY Life Insurance Company of America's (MLOA) universal and variable universal life insurance policies. It is designed for clients who need both life insurance protection and a relatively affordable, effective way to pay for potential long-term care costs. The Long-Term Care Services℠ Rider is available for an additional charge and does have restrictions and limitations. Clients may qualify for the life insurance but not the rider.

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ADVANCED MATTERS
INCOME TAX IMPLICATIONS OF LIVING BENEFITS

Over the past two decades, life insurance products have come to include benefits payable during the life of the insured as well as at death. More recently, hybrid life insurance with long term care (LTC) or chronic illness riders has proved popular in the marketplace, with sustained double-digit growth in product sales from 2009–14.[1] This early payout is called a living benefit (also known as accelerated death benefit, or ADB). Living benefits on a policy may be triggered when the insured experiences a qualifying chronic, critical or terminal illness. Exact requirements for living benefits depend on life expectancy and the terms of the life insurance contract. However, since the income tax-free receipt of life insurance proceeds is usually described as dependent on the death of the insured, the taxation of these living benefits has raised questions.

This document will examine some of the potential tax implications with regard to qualifying health events and policy ownership. In general:

- **Terminal illness or chronic illness/long term care benefits** should be income tax-free if the death benefit would have been income tax-free upon the death of the insured. These benefits would be taxable to the business for business-owned policies.
- **Critical illness benefits** should generally be income-tax free when premiums are paid by the individual insured rather than by an employer.

To Find Out More:

Terminal/chronic illness benefits are governed by Internal Revenue Code § 101(g) and are treated like an acceleration of the death benefit.

Critical illness benefits are treated like health insurance benefits under Internal Revenue Code § 104

Long term care benefits are governed by Internal Revenue Code § 7702B and sec. 101(g). To sell products with long term care benefits, producers must generally be licensed to sell long term care in the state where the contract is sold.

Taxation of Benefits Based on Policy Ownership

The table below compares some of the differences in taxation based on ownership of the life insurance policy:

	Insured owns policy	Employer owns policy
Terminal Illness	Not taxable as income[2]	Even if notice and consent requirements of IRC § 101(j) are followed, benefits paid to employer are taxable[3]; but may be deductible by employer and taxable to employee if paid to employee as reasonable compensation
Chronic Illness / LTC	Not taxable if less than per diem limit or actual long term care costs[4], depending on contract terms	Taxable as income to employer[3]; but may be deductible by employer and taxable to employee if paid to employee as reasonable compensation
Critical Illness	Not taxable as income when insured pays premium[5]	Most likely not taxable as income to employer[6]; but may be deductible by employer and then taxable to employee if paid to employee as reasonable compensation
Death Benefit	Not taxable as income[7]	Taxable unless IRC § 101(j) requirements met including notice and consent provided; for C-Corp may be subject to alternative minimum income tax

[1] LIMRA, *2014 Individual Life Combination Products Annual Review*

[2] IRC § 101(g)(1)(a)

[3] IRC § 101(g)(5)

[4] IRC § 101(g); IRC §7702B

[5] IRC sec. 104(a)(3)

[6] IRC § 104(a)(3), and Rugby Productions, Ltd. v. C.I.R., 100 T.C. 531 (1993)

[7] IRC § 101(a)

Third-Party Ownership

Living benefits are normally free from income tax even when the insured is not the owner. Some exceptions to the income tax free nature of living benefits when a third party is the owner of the contract are:

- business related policies. Terminal and chronic illness long term care benefits may not be exempted from income tax.
- if the policy has become subject to the transfer for value rule.[8] While critical illness benefits may fall outside the statutory transfer for value rule, they may also become taxable if the owner acquired the policy for money or in exchange for services or property after inception of the policy.[9]
- corporate owned policies. These may cause or increase the Alternative Minimum Tax (AMT) by including annual increases in cash values and death benefits in AMT tax.

MEC with a Long Term Care Rider

Generally, MEC's follow the LIFO (last in, first out) rules for taxation so that any loans or withdrawals from a MEC result in taxable gains being distributed first before the nontaxable return of basis. However, when LTC benefits are paid out of a MEC from a LTC rider, the benefits received by the insured for long term care are not taxable because they are considered LTC rider benefits rather than withdrawals from the MEC.

In addition, one can do a tax-free 1035 exchange from a MEC contract to a MEC contract with a LTC rider and thereafter receive benefits during lifetime for long term care without experiencing taxation of the benefits.

Lapsing a Policy After Receipt of Living Benefit

The general rules on surrender determine the tax consequences of allowing a policy to lapse, even after payment of an accelerated death benefit. When 100% of the policy face amount has been accelerated as a terminal illness benefit, the base policy and all riders will terminate.

When a policy lapse occurs after a chronic illness claim or long term care claim, there is no taxable income related to prior living benefit payments as they are considered a tax-free accelerated death benefit. Similarly, prior critical illness benefit payments are not taxable on a later lapse of the policy. *(NOTE: This differs from the tax treatment of the lapse of a policy with an outstanding loan in excess of basis in the policy. In that scenario, the outstanding loan balance is included as part of the amount realized, and the result is additional ordinary income to the policy owner.)*

Qualified Plans

If life insurance with accelerated death benefit riders is owned by a qualified plan, the plan documents should address living benefit riders.

- **Long term care/chronic illness and critical illness riders** may not be considered by the IRS to be permissible incidental benefits in a qualified plan.
- **Terminal illness riders** in a qualified plan require attention. To the extent that a life insurance policy inside a qualified plan has cash value when the participant is terminally ill, the distribution of living benefit payment from the plan could be viewed as a pro rata distribution of death benefit and cash value.

Insureds and plan trustees should consult with their tax advisors to evaluate the tax consequences of plan ownership of a life insurance policy with living benefit provisions.

[8] IRC § 101(a)(2). Please see our Advanced Matters "Policy Transfers" (OLA 2249) for more details on transfer for value.

[9] *Peoples Finance & Thrift Co. v. C.I.R.*, 12 T.C. 1052, 1055 (1949), *aff'd* 184 F.2d 836 (5th Cir. 1950)

ADVANCED MATTERS

Federal Income Tax Reporting

Transamerica reports the payment of living benefits when required by the IRS on forms 1099-LTC and 1099-R. Taxpayers must consult with their professional legal and tax advisors to determine if benefit payments are taxable or not and prepare their tax returns accordingly.

Summary

With the increasing popularity of hybrid life insurance products with chronic, critical, terminal and long term care benefits, it is important to be aware of the issues that may arise due to tax consequences of these living benefits. Policies owned by businesses, policies in qualified plans, and any other policies not owned by the insured all require careful review so that the value of these benefits is understood and realized.

Life Insurance with the Long-Term Care Services℠ Rider
special needs

client profile

Life Insurance with a Long-Term Health Care Needs strategy can help clients feel confident that they are taking care of their future financial needs as well as protecting the needs of the ones they love. With the use of permanent cash-value life insurance, many of your clients can address these needs.

Client Profile

- **Parents, Age 25 to 60 with children**
- **Have a special needs child**
- **Want to do as much as possible for their special needs child**
- **Do not want to burden other family members**
- **Either have or thought about creating a Special Needs Trust**
- **Have a need to provide life insurance for their family**
- **One or both parents are insurable**

Meet John & Mary:

Age: Both are 45 years old

Marital/Family Status: Married with 2 children.

Background: Their son Josh is 12 years old and was born with a physical impairment that limits his ability to care for himself. Their daughter Sally is 16 years old. Josh's condition consumes much of John's and Mary's time and is a financial drain on their assets.

Goals:

- Provide financial support for Josh throughout his lifetime.
- Ensure that Josh financially qualifies for government programs and benefits.
- Create a source of financial support for Josh when they die.
- Provide financial benefit for Sally when they die.

Concerns:

- How can they financially provide for Josh's care after they die?
- They do not want Josh to become a financial burden on Sally.
- What happens if they are ill and can't care for Josh?

Whom Do You Know Like John & Mary?		
Name	E-mail	Phone

The Long-Term Care Services[SM] Rider is an accelerated death benefit rider available at issue for an additional cost with certain individual permanent life insurance products. The rider does have restrictions and limitations. Be sure to review the product specifications for details.

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G39801
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Life Insurance with the Long-Term Care Services℠ Rider

owner of a substantial estate

client profile

Life Insurance with a Long-Term Health Care Needs strategy can help clients feel confident that they are taking care of their future financial needs as well as protecting the needs of the ones they love. With the use of permanent cash-value life insurance many of your clients can address these needs.

Client Profile

- **40 to 70 years old**
- **Has children and grandchildren**
- **Wants to leave a legacy for family**
- **Hopes to preserve as much of the estate as possible for heirs**
- **Recognizes need for life insurance to protect legacy at death**
- **Is insurable**
- **Is financially sophisticated**

Meet Allan:

Age: 55 years old

Marital/Family Status: Married with two young adult children, and two grandkids.

Background: Inherited some wealth and earned the rest. Current estate is valued at $7 million.

Considered individual LTC Insurance, but....

- Initially decided his estate assets can handle the medical expenses, or
- At the time, could not justify the added expense of the coverage for a policy that might not be used, or
- Initially decided to self-insure.

Has an estate plan in place that allows family to purchase estate assets.

Goals:

- Preserve the estate for heirs.
- Minimize income and transfer taxes.
- Use asset leverage where possible.
- Planning flexibility and liquidity.

Concerns:

- Shrinkage in his legacy from taxes.
- Shrinkage in his estate for personal and spouse's health care expenses in later years.
- Being forced to sell estate assets to create liquidity for personal or family expenses.

Whom Do You Know Like Allan?		
Name	**E-mail**	**Phone**

The Long-Term Care Services℠ Rider is an accelerated death benefit rider available at issue for an additional cost with certain individual permanent life insurance products. The rider does have restrictions and limitations. Be sure to review the product specifications for details.

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Covering the Costs of Long-Term Care

7702B vs 101(g) — A Discussion of Riders on a Life Insurance Policy

Nearly half of all Americans will need some type of long-term care in their lives.[1]

As America's population ages, the largest generation of all — the Baby Boomers — is retiring, traveling, pursuing hobbies and spending time with family. Their focus is often on what they want right now. But it should also be on what they might need later — sustainable income and protection for their assets as they age. After all, retirement can last a long time. And the older people get, the more likely they are to develop health conditions that require ongoing care or support. That support can be expensive, whether it is provided by loved ones who give up their jobs to care for aging parents or by outside sources. With long-term care costs reaching ever-higher levels, what are clients to do?

With long-term care costs reaching ever-higher levels, what are clients to do?

An informative and insightful brochure by Dr. Sandra Timmermann, Ed.D, titled ***Connecting the Dots Between Aging at Home and Long-Term Care Protection*** provides relevant and practical information that can help you start a conversation with your clients about the importance of planning for these issues.

THE MEDIAN ANNUAL COSTS IN 2017[1]

- **$49,192** – home healthcare aide
- **$85,775** – semiprivate room in a nursing home

This paper adds to AXA's support by helping you understand the details of two different types of life insurance riders that are available to you: 7702B and 101(g) riders.

1 Source: Genworth 2017 Cost of Care Survey, conducted by CareScout®, June 2017.

Paying for long-term care

How clients plan for potential long-term care costs will often depend on their current standard of living and the guidance they receive from their advisors. Their options include:

- **Self-insurance.** If they have sufficient assets, or simply hope they won't need long-term care, clients may choose to pay for long-term care expenses out of pocket. However, for most, self-insurance is not an attractive option. After all, a lengthy stay in a nursing home can quickly drain even substantial assets, jeopardizing the family's financial security and depleting any legacy they might want to leave loved ones.
- **Government programs (Medicare or Medicaid).** Government programs are of little help to many. Medicare covers few of the expenses we associate with long-term care and Medicaid is only available to those who have few, if any, assets.
- **Some form of long-term care insurance.** To make sure clients have the means to pay for long-term care, protect their assets, and provide a legacy for their children or community, many turn to long-term care insurance policies or life insurance with a rider that will help pay for long-term care costs.

Two insurance options available today

Which type of insurance is best for your clients? The answer will vary, so it is important to understand all the choices. No one type of insurance is better than the other; each has its pros and cons.

Stand-alone LTC insurance policies

Stand-alone long-term care insurance policies that insure against potential long-term care expenses.

Life insurance with a rider to help cover long-term care expenses

Life insurance-based products that include long-term care benefits.

1) Stand-alone LTC insurance policies

At one time, stand-alone long-term care insurance policies were the primary solution for insuring against potential long-term care expenses. Early generations of these products often provided rich benefits and were popular for a number of reasons, among them:

- Lifetime cost of living adjustments to protect against inflation.
- Policies may qualify for state Long-Term Care Partnership programs, a joint federal-state program where applicants for Medicaid are permitted to keep one dollar of assets for every dollar of long-term care insurance coverage paid on their behalf.
- Premiums may be deductible for income tax purposes.
- Premiums pay only for long-term care coverage — no additional costs for other insurance benefits that may not be wanted.

Stand-alone long-term care insurance remains an important option for clients. The marketplace has changed, however. Clients may find that fewer insurance companies offer these products and some of the popular features found in earlier-generation products have been limited or are no longer available.

2) Life insurance with a rider to help cover long-term care expenses

Life insurance-based products that included long-term care benefits may be an attractive alternative. Broadly speaking, there are several types of life insurance-based products. So-called "linked benefit" or "hybrid" products are typically funded with a single premium. Alternatively, traditional permanent life insurance policies may include a rider designed to pay for long-term care expenses. Using permanent policies with a rider is the focus of this article. Of course, offering this as a potential solution only when the client has a need for life insurance coverage.

These riders can help clients pay for long-term care expenses by:

- "Accelerating" payments of the life insurance policy death benefit in the event the insured becomes chronically ill and satisfies certain conditions. In other words, it pays some portion of the policy's death benefit before death occurs, so there is only one pool of money available for the client.
- Allowing those accelerated payments to be used for long-term care costs.
- Clients must qualify medically separately for both the life insurance coverage and the Long-Term Care Services℠ Rider.

Any remaining death benefit that is not accelerated can then be paid out to beneficiaries upon the insured's death.

Since many people need life insurance to provide for family members, replace lost income, or pay debts and taxes anyway, the ability to use life insurance for another purpose is often very appealing. It's a simple, flexible and often a lower-cost strategy. If it turns out that long-term care services are not needed, the life insurance policy cash values can be used to help supplement income, or the unaccelerated policy death benefit can be paid out to designated beneficiaries upon the insured's death, as income tax-free life insurance proceeds.

Two main categories of riders

There are generally two main categories of riders, depending on how the benefit is being paid.

7702B long-term care riders	101(g) chronic illness riders
Qualified long-term care insurance benefits under Internal Revenue Code section 7702B.	Accelerated death benefit for chronic illness under Internal Revenue Code section 101(g).

1) 7702B long-term care riders

Section 7702B is the primary tax code authority when it comes to long-term care insurance — whether it's a stand-alone policy or a long-term care rider on a permanent life insurance policy. Section 7702B defines a qualified long-term care contract and treats it as an accident and health insurance contract.

2) 101(g) chronic illness riders

Section 101 of the tax code outlines the tax treatment of life insurance death benefits. Section 101(a) provides that, with certain exceptions, life insurance death benefits are excluded from income. Under section 101(g) of the code, payments from a life insurance contract insuring a chronically ill person that are received prior to the insured's death are treated as if they were paid as a death benefit — tax-free. However, benefits paid in excess of the per diem limit will generally be included in income. There is an important exception to this tax-free treatment for business-related policies. Section 101(g)(5) of the code states that if the insured is a director, officer or employee of the policyowner, or is financially interested in any trade or business of the policyowner, accelerated benefits would not be excluded from income.

First, let's look at how these riders are similar or different from each other.

What do these riders have in common?

For both long-term care riders and chronic illness riders:

Benefits are received by the clients, income tax-free, up to IRS limits.

Because benefits are considered an acceleration of a life insurance policy's death benefit, which is tax-free to the recipient, benefits for long-term care are treated similarly.

Clients must qualify for benefits.

That means, to receive benefits, the client must be considered chronically ill, as defined by the policy. A chronically ill individual is defined as any individual who has been certified by a licensed healthcare practitioner as:

TAXATION OF THESE RIDERS

To understand the tax issues associated with 7702B and 101(g) riders, read our LTCSR Tax Planning Perspective.

(i) being unable to perform (without substantial assistance from another individual) at least two activities of daily living for a period of at least 90 days due to a loss of functional capacity

(ii) having a level of disability similar (as determined under regulations prescribed by the Treasury Secretary in consultation with the Secretary of Health and Human Services) to the level of disability described in clause (i), or

(iii) requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

The rider will pay some stated percentage of the death benefit.

The rider typically pays 1%, 2% or 3% of the policy death benefit each month, once the insured becomes long-term care ill and qualifies for benefits. If, for example, the insured becomes chronically ill, she may be eligible to receive a monthly benefit of up to 2% of the policy's death benefit, after a waiting period of 90 days. If her death benefit is $1,000,000, she would be able to receive up to $20,000 per month in benefits to help pay for long-term care costs.

How are the riders different from each other?

There can be significant differences in how benefits are paid, when an insured is eligible for benefits, and the level of consumer protection provided to the buyer.

Long-term care riders

- **Will pay if conditions are temporary.** It may sound counterintuitive, but a chronic illness doesn't have to be permanent for benefits to be paid out under a long-term care rider.

- **Are treated as a separate long-term care accident and health insurance contract.** Because it's treated like an accident and health insurance contract, 7702B rider benefit payments are generally income tax-free. However, if the taxpayer receives benefits in excess of the per diem limit, those "excess benefits" will be considered income for tax purposes, but only to the extent they exceed actual unreimbursed qualified long-term care expenses. Those per diem limits are indexed for inflation and are $360/day in 2018.

  Unlike a stand-alone LTC insurance policy, LTC riders are not generally eligible for state LTC partnership programs or for HSAs, and are not a permissible deduction for income taxes.

- **Must include consumer protections.** The National Association of Insurance Commissioners (NAIC) Long-Term Care Insurance Model Act and Long-Term Care Insurance Model Regulation, as enacted by the states, establish requirements for certain consumer protection provisions that must be provided under these riders. These provisions include consumer protections relating to non-cancellability, unintentional lapse, minimum standards, disclosure, reinstatement and nonforfeiture, among other things — and provide considerable peace of mind for clients and financial professionals alike.

  They also establish rules for marketing these products, as well as training and licensing requirements for those who sell them.

- **Can be referred to as "long-term care" insurance.** Riders designed to comply with all these various requirements of IRS Section 7702B are sometimes simply referred to as qualified riders. Agents and other financial professionals can refer to them as "long-term care insurance" when communicating with clients and prospects. Because long-term care insurance is considered a form of accident and health insurance, selling agents and financial advisors must be accident and health-licensed.

- **May be either indemnity or reimbursement models.**

  Long-term care riders can use:

  – An indemnity payment model, which pays up to the maximum benefit amount specified in the contract regardless of expenses incurred.

For example, a $500,000 policy with a maximum monthly rider benefit of 2% of the policy's death benefit would pay up to $10,000 per month to the policyowner regardless of expenses incurred. If actual expenses in the first month were $15,000, the rider would pay $10,000. If, in month 2, expenses dropped to $4,000, the rider could still pay up to $10,000. As a result, an indemnity rider enables an individual to pay for expenses that are associated with long-term care, but are not considered qualified expenses and not reimbursable under a reimbursement-type rider, such as costs of home modification and medical equipment, such as walkers. For most indemnity riders, individuals simply need to qualify and demonstrate there's a plan of care and periodically be recertified. There may be no additional paperwork, though individuals should consult with their carrier for particular claims requirements.

CHOOSE YOUR BENEFIT AMOUNT

Some indemnity-style riders allow the policyholder to select the monthly benefit amount, up to the maximum allowable. That gives them the flexibility to use more of the death benefit for lifestyle enhancements, travel before the condition worsens, or leave more of the death benefit for loved ones later.

– A reimbursement payment model, which reimburses the policyowner for expenses incurred by the insured. After the insured qualifies for benefits, the policyowner must submit receipts for qualifying expenses to receive benefit payments. A reimbursement rider will never pay more than the qualified long-term care expenses that were incurred.

For example, a $500,000 policy with a maximum monthly rider benefit of 2% of the policy's death benefit could pay up to $10,000 per month to the policyowner, but no more than expenses incurred. If actual expenses in the first month were $15,000, the rider would pay $10,000. If in month 2, expenses dropped to $4,000, the rider would pay no more than $4,000. A reimbursement contract also requires periodic paperwork to document the actual expenses included, which can take time on the part of an ill individual or a family member.

- **Charge an additional current fee.** Therefore, when benefits are paid from the rider, there is then a dollar-for-dollar reduction in the death benefit.

Chronic illness riders

- **May or may not pay if conditions are temporary.** The definition of a chronic illness is the same for a chronic illness rider as it is for a long-term care rider. However, while all long-term care riders allow for conditions to be either permanent or temporary, some chronic illness riders will only pay if the condition is permanent. Here's why:
  - In about 45 states, insurance companies are members of the Interstate Insurance Product Regulation Commission (IIPRC), which allows them to get faster approval on products if they file a product that complies with the adopted standards.
  - In 2007, the IIPRC defined a "qualifying event" (when benefits would be paid) as a terminal or permanent condition. Therefore, most chronic illness riders paid only if the condition was permanent.
  - In 2015, the IIPRC amended their standards to include temporary conditions as qualifying events on chronic illness riders. So, since then, some insurance companies have introduced chronic illness riders that allow temporary conditions. However, most still have permanent condition stipulations. This may be because accepting only permanent conditions means the insurance company will have fewer claims and can offer the rider at a reduced cost. You should exercise care in selecting a chronic illness rider if you want the ability for temporary claims.
- **Are not required to offer consumer protections, like those under long-term care riders.** Because chronic illness riders are not considered long-term care riders, they don't have to abide by the same rules.

- **Cannot be referred to as "long-term care" insurance.** Because they are not subject to long-term care insurance regulations, they do not qualify as long-term care insurance, therefore, cannot be called "long-term care" in marketing or other material. They may be referred to as accelerated death benefit riders, chronic illness riders, or simply non-qualified riders. Because these riders are not considered a form of accident and health insurance, selling agents and financial advisors do not need to be accident and health-licensed to sell them.

- **Use an indemnity payment model.** Since these riders simply accelerate the death benefit, it makes sense that they use only indemnity payment models, which provide a certain amount of money to the insured each month, once the need for long-term care has been established.

- **Business-related policies do not receive tax-free treatment of benefit payments.** Although benefits are generally tax-free up to the per-diem limits, business-related policies with a chronic illness rider are not eligible. Specifically, tax-free treatment does not apply to benefits paid to a business where the insured is a director, officer or employee, or if the insured is financially interested in any trade or business carried on by the taxpayer. Of course, these are the individuals whom a business would most want to insure for death benefit and long-term impairment purposes. Therefore, the use of a chronic illness rider as part of a key person insurance arrangement or buy-sell agreement can be problematic, because any benefits received under the rider would be included in the business policyowner's income.

  While there is not a specific exclusion for long-term care riders, the tax treatment for business-owned contracts is also not specifically discussed in the tax code. This would be up to the discretion of a business' tax preparer.

- **May not charge a current fee, but may take more when benefits are used.** Chronic illness riders may be structured similarly to long-term care riders, with a current charge. However, some chronic illness riders do not charge for the rider currently, but instead pay for it by discounting the remaining death benefit in the policy at the time there is a claim under the rider. The result is a greater than dollar-for-dollar reduction in the policy death benefit for payments made under the rider. These discounted death benefit riders are sometimes promoted as "free." If clients don't use the rider, it doesn't cost them anything. But, it may cost them more in reduced death benefits if they use it.

The comparison chart that follows on the next page illustrates the differences between the long-term care rider and the chronic illness rider.

There is an additional current charge for a tax-qualified Section 7702B long-term care insurance. When benefits are then paid from the rider, there is then a dollar-for-dollar reduction in the death benefit.

2 For the Long-Term Care Services℠ Rider, not applicable in CT and NY.

3 Though treated as a long-term care contract, there remain some important distinctions between a 7702B rider and a stand-alone long-term care insurance contract. For example, 7702B riders are not generally eligible for state LTC partnership programs. Also, rider charges are not eligible for HSAs, nor are they a permissible deduction for income taxes.

Long-Term Care Rider vs. Chronic Illness Rider

	Long-Term Care Rider	Chronic Illness Rider
Covers temporary claims	**Yes**[2]	**Maybe** New regulations allow chronic illness riders to pay claims if the condition is temporary. However, most chronic illness riders still require the condition to be permanent.
Qualifies as long-term care insurance	**Yes**[3] Clients may be more familiar with the term "long-term care" that can be used in marketing and sales materials.	**No**
Includes required consumer protection provisions:	The following provisions protect the policy from lapsing unintentionally due to a client's physical or cognitive impairment. While chronic illness riders may include some of these benefits, they are not required.	
Unintentional lapse protection required	**Yes** Clients and their families can rest assured that someone close to the client will receive a notice of nonpayment of premiums before the policy lapses. This protects against unintentional policy lapses.	**No**
Lapse protection while on claim required	**Yes** Clients don't have to worry about paying premiums while the policy is on claim.	**No**
Reinstatement provision required	**Yes** If clients become cognitively impaired and didn't realize that premium payments were due, their policy can be reinstated with proof that the insured was cognitively impaired.	**No**
Nonforfeiture provision required	**Yes** Clients can receive benefits on a lapsed policy if they would have qualified for benefits before the lapse.	**No**
Includes a charge only if your client uses the rider	**No** There is an upfront charge for the rider that guarantees a dollar-for-dollar reduction in death benefit by the amount of LTC benefits paid. The cost of coverage is known at time of policy issue.[3]	**Maybe** Some of these riders have an upfront charge. Others have no upfront charge, but charge a back-end fee by reducing the death benefit by an amount greater than the amount of chronic illness benefits paid. These fees may vary and are not known at policy issue, making planning more difficult.
Tax-free treatment for business-related policies	**Yes** Benefit payments can help employers buy out an insured's share of the business, finance finding a replacement for a key person, or offset losses due to a key employee's incapacity.	**No**
Requires a health insurance license	**Yes, in most states** This additional credential lets you build credibility with high-net-worth clients and understand more about how long-term care works (such as how it interacts with Medicare) through continuing education courses.	**No**
Normal tax treatment for Modified Endowment Contracts (MECs)	**Yes** Rider charges are *not* considered distributions, not taxable.	**No** Rider charges *are* considered distributions, taxable up to the gain.
Accelerated Death Benefits	**Yes** Tax-free up to greater of per diem limit or actual eligible long-term care expenses incurred.	**Yes** Tax-free up to per diem limit only.

Why the right rider matters

Planning Scenarios

Scenario 1: Consumer protection for aging clients — meet George and Claire

Individuals who need the protection provided by a long-term care rider are inherently more vulnerable. The consumer protection features included in every qualified long-term care insurance rider are especially important and can mean the difference between having care or not. In the scenario below, George and Claire each own a life insurance policy on which they have included a rider that will assist them with expenses in the event they become chronically ill. George's policy includes a Section 7702B long-term care rider, while Claire's policy includes a Section 101(g) chronic illness rider.

George's long-term care rider includes consumer protections he needs as he ages.

George suffers an accident and becomes cognitively impaired. As a result, he doesn't remember to pay the premium on his policy, and the policy is at risk of lapsing. Fortunately for George, his long-term care rider included unintentional lapse protection provisions. When he applied for coverage, he designated his daughter, Susan, to receive a notice in the event his premiums went unpaid. So, when George didn't pay his premium on time, a notice was sent to Susan, advising her of the nonpayment of premium on her father's policy. Ordinarily, Susan would have intervened and made sure premiums were paid. But Susan had moved several times and the notice was not forwarded to her current mailing address. Therefore, George's policy inadvertently lapsed. However, George's policy also included a mandatory reinstatement provision, which enabled the insurer to reinstate his coverage once they learned from Susan that George was cognitively impaired. George's policy, upon reinstatement, made payments to George to assist with his long-term care expenses.

Claire's chronic illness rider *does not* include consumer protections.

Claire had become increasingly forgetful before becoming chronically ill and, as a result, neglected to pay the premiums on her policy. A nonpayment of premium notice was sent to her home, but her policy did not provide her an option to name a third party to receive a nonpayment notice, so no one else was aware of the situation. As a result, her policy lapsed. Unlike George's policy, Claire's policy did not have a reinstatement provision. She was not able to reinstate her policy, even if it could be shown that it was her cognitive impairment that caused her failure to pay premiums on time. Unfortunately, Claire has no benefits to assist her in the payment of long-term care expenses.

Scenario 2: Business-owned policy

A business may need to purchase life insurance on the lives of its owners and key employees for reasons such as key person, executive benefits, or business succession. What about including a chronic illness or long-term care rider on the policy? As discussed earlier, Section 101(g)(5) of the code specifically denies income tax-free treatment to rider benefits received from a 101(g) rider as part of a business-related policy. In business situations then, where the parties wish to provide both life insurance and long-term care protection, a 7702B policy is the safer bet.

MHG Corporation used life insurance and a long-term care rider for protection and executive benefits.

MHG, a successful high-tech consulting group, was lucky enough to have Tony, their most successful sales vice president, on staff. Tony has been responsible for bringing in as much as 40% of the company's new accounts, and the business had become dependent on Tony's continued success and contributions. MHG recognized the need for life insurance to protect the company in the event of Tony's death, and they were concerned that if Tony needed long-term care due to an unforeseen illness or injury, the company would suffer a loss in revenue and incur considerable expenses in finding a replacement. They decided that a long-term care rider on the policy, while not covering the broad range of conditions that disability insurance would cover, would help them provide some coverage, packaged with life insurance.

Because benefits payable to the company from a chronic illness rider would be taxable, MHG purchased a policy with a long-term care rider. Therefore, if Tony should become chronically ill, MHG could apply for benefits which can be used to offset lost revenue and cover the costs of finding Tony's replacement.

MHG also provided a non-qualified deferred bonus to Tony, payable at his retirement (or death, if that occurs sooner) in a lump sum. They intend to pay at least a part of that bonus with the life insurance policy. By transferring the policy to Tony at his retirement, Tony will acquire valuable life insurance protection, policy cash values that can be used to supplement his retirement income, or, if needed, long-term care benefits that can be provided through the rider.

Summary

The growth in life insurance-based solutions to pay for long-term care expenses has provided consumers with many additional options. While there are some similarities between long-term care riders and chronic illness riders, they can vary greatly in how they pay out benefits, what types of conditions are covered, and the consumer protections they provide. It is wise for consumers to learn all they can about these options, so that they can understand how they work and decide which will best fit their particular situation.

The Long-Term Care Services℠ Rider is available with AXA Equitable and MONY Life Insurance Company of America's (MLOA) universal and variable universal life insurance policies. It is designed for clients who need both life insurance protection and a relatively affordable, effective way to pay for potential long-term care costs. The Long-Term Care Services℠ Rider is available for an additional charge and does have restrictions and limitations. Clients may qualify for the life insurance but not the rider.

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Long-term care

White paper

NATIONWIDE RETIREMENT INSTITUTE®

The case for affluent clients buying LTC coverage

Shawn Britt, CLU, CLTC

Director, Long-term Care Initiatives
Advanced Consulting Group
Nationwide

Shawn Britt has been a member of Nationwide's Advanced Consulting Group since 2005 and has been a major influence in developing and promoting Nationwide's long-term care (LTC) product solutions. She is well known in the industry and has been widely published and interviewed about LTC by publications such as The National Underwriter, Financial Advisor, CBS News Money Watch, Insurance News Net and The Wall Street Journal. She is a frequent speaker at numerous industry events including AALU and ILTCI, periodically serves as an adjunct professor on LTC at The Ohio State University and currently serves on the board of advisors for CLTC™.

Many clients — and some advisors — think that insuring for long-term care (LTC) is something reserved for the middle class and that more affluent clients can afford to self-insure. In truth, affluent clients should consider purchasing LTC coverage as well. Because this client group can generally afford better health care, they are more likely to deny the need for LTC. But studies show that the longer you live, the more likely you will need LTC[1]. Therefore, the good health these clients often enjoy could increase their chance of needing LTC in the future.

Affluent clients may pay more for LTC

In addition, LTC services will most likely cost more for affluent people. According to industry expert Claude Thau, affluent clients may not only be more likely than middle class Americans to need LTC services in their lifetime, but the cost of their care may be more expensive[2]. That's because affluent people:

- Tend to want better quality LTC, which will be more expensive
- Are more likely to stay home regardless of the cost to do so
- Are more likely when entering a facility to choose a costlier private room
- Are more likely to select an upscale facility and/or location in town
- May be less likely to receive care from their children; their children often have higher profile and/or demanding jobs, and they may have relocated for career advancement

[1] Council on Aging – "Should I Buy Long Term Care Insurance?", September 2016.
[2] Affluence is a Key Variable in Long-Term Care Considerations, Claud Thau, Ingram's Magazine, August 18, 2017.

Insuring the portfolio — not the person

Many affluent clients hope they will never need care, but believe that if they do, they can afford to pay for it out of their own pocket. That's why a traditional long-term care discussion that centers on the risk of needing LTC — and the importance of insuring that risk — may not go very far. Remember that because these clients may perceive themselves to be "healthy and in good shape", they are more prone to denying that LTC will be part of their future.

It may be more impactful to discuss the consequences to the client's portfolio if a LTC event occurs at an inopportune time with regards to market performance. In other words, talk about insuring the portfolio — not the person.

Insuring the portfolio against an unexpected LTC event

These clients have most likely lived through the Dot Com crash of 2000, the 2008 crash blamed on the real estate and banking industry debacle and perhaps even the market crash referred to as Black Monday that occurred on October 19, 1987. Ask your client if they believe the market could take another tumble. Since the answer will probably be yes, you may get a better response to a discussion that includes statements like these:

"I would like to discuss insuring your portfolio against an unexpected extended health care (LTC) event at a time when the market and your account values are down."

"To do that, I would like to help you create a dedicated stream of income — one that is not tied to the market but is ready to go at a moment's notice — to help pay for any LTC expenses you may have without jeopardizing our strategy for your portfolio."

While it's not possible to predict how and when an account will recover from such events, an advisor may want to remind the client that:

"It could be hard to build your account values back up when you are withdrawing substantial amounts of money from your account to pay for the type of care you want and need."

Although these clients can probably afford to self-insure their potential LTC expenses, they should know that:

"There is no guarantee such an event will occur at a time that is convenient to market performance and your portfolio."

It helps to share this reminder:

"It's my job to discuss ways to help you protect and grow your assets."

Self-insuring vs. "self-assuring"

Affluent clients may be more interested in a discussion that centers on protecting their portfolio. It all comes down to how to self-insure. First, agree with your client that they can afford to self-insure. But then add that there is more than one way to self-insure, and you'd like to show them a way that is potentially more cost-effective. Encourage your affluent client to think in terms of self-assure rather than self-insure.

The client's assets or available income and/or other financial needs will dictate the LTC insurance solutions. There may be a greater need for life insurance coverage now and LTC funding later. Or, the client may be in a position where specific LTC coverage is more appropriate. Regardless of your client's needs, there are various solutions that can address LTC and financial strategies.

Let's look at an example using a cash indemnity linked benefit policy and how it would play out in a self-insure scenario vs. a self-assure scenario. This example uses smaller numbers for simplicity, and assumes a 55-year-old female, couples rate, non-tobacco, 6-year benefit duration and no inflation option[3].

Self-insuring

A person who intends to self-insure might place $100,000 in a secure money market account or other liquid investment. When long-term care is needed, they would spend that $100,000 (plus interest) on LTC expenses and have the total flexibility of cash to pay for any type of care they want, as well as any other needs they might have. If that person is still alive and needs care when the $100,000 (plus interest) is gone, they would have to tap into their accounts and other personal resources to continue paying LTC bills. The need for these funds could come at a time when those other account values have suffered downturns.

Dedicate $100,000 to pay for long-term care

Money is placed in a safe account with a low return

Pay for care using $100,000

Cash provides ease of use and flexibility

But if that runs out

Client uses income/assests that might not be convenient to the portfolio

Self-assuring may be more efficient

Purchasing cash indemnity LTC coverage will produce a different outcome. This same person places $100,000 into a linked benefit LTC policy, purchasing a LTC benefit pool of $541,000. When care is needed, the first $100,000 of benefits would essentially come from their own premium dollars. But once that $100,000 is used, the policy offers $441,000 in additional benefits, paid by the insurance company—not the person's assets—available to help pay for LTC expenses[4]. On the other hand, the self-insure plan would not have provided these extra dollars provided by this insurance protection. And since the policy pays benefits by cash indemnity, the individual will maintain the flexibility of care choices without restrictions from the insurance company.

Reposition $100,000

Purchases $541,000 of LTC benefits

LTC benefits paid from first $100,000 premium

Ease of use — flexibility with **cash indemnity**

If more LTC is needed, funds come from insurance, not assets.

Policy offers another $441,000 in monthly LTC benefits

The key to having a successful LTC discussion that will motivate your affluent client to take action is to center the discussion around portfolio success and how the use of insurance can help protect their portfolio by providing a hedge against LTC expenses. By doing so, you can help them understand the importance of purchasing long-term care coverage.

[3] Stated benefit amounts are based on hypothetical examples, and actual benefit amounts received will vary with changes to age and ratings.

[4] These numbers represent the approximate LTC pool benefit for a 55-year old, female, non-tobacco, and couple rate on a cash indemnity linked benefit LTC policy.

Complete a quick 15-question Health Care/LTC CostAssessment Fact Finder with the client to obtain a Personalized Health Care/ LTC Cost Assessment client report from Nationwide.
Visit **nationwidefinancial.com/healthcare**

Or

Call the Retirement Institute Income Planning Team at **1-877-245-0763.**

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NFM-17566AO (06/18)

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Long-term care

Article

NATIONWIDE RETIREMENT INSTITUTE®

Creative care design

Steps to customizing a care plan

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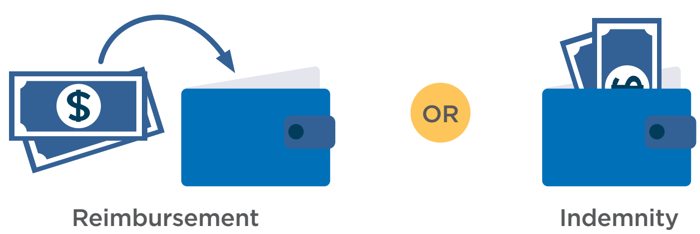
Advanced Consulting Group
Nationwide

Shawn Britt has been a member of Nationwide's Advanced Consulting Group since 2005 and has been a major influence in developing and promoting Nationwide's long-term care (LTC) product solutions. She is well known in the industry and has been widely published and interviewed about LTC by publications such as The National Underwriter, Financial Advisor, CBS News Money Watch, Insurance News Net and The Wall Street Journal. She is a frequent speaker at numerous industry events including AALU and ILTCI, periodically serves as an adjunct professor on LTC at The Ohio State University and currently serves on the board of advisors for CLTC™.

Planning for long-term care (LTC) may seem like a daunting task, especially when individuals or couples feel limited by traditional choices for care. Unfortunately, too many people equate long-term care with nursing homes. In truth, there are numerous options for care, but before customizing a care plan, it helps to understand how LTC benefits can be paid.

How benefits can be paid

LTC benefits are generally paid in one of two ways:



A **reimbursement plan** may potentially offer a larger benefit pool, but it will only pay for qualifying LTC costs covered by the policy—up to the benefit limit. And, bills and receipts must be submitted each month to get the benefits. But, for clients only interested in formal care, this option could work.

By contrast, **cash indemnity** pays the full available monthly LTC benefit. Once you're approved for claim, there is no monthly paperwork or proof of expenses to send in. You simply receive a monthly cash benefit to use with no restrictions from the insurance company. Designing a plan using cash indemnity benefits is limited only by the imagination and will allow for the broadest flexibility in your plan and LTC benefit use.

Creative Care Design

Imagine you had cash in hand to pay for care with no restrictions from the insurance company. That means no bills or receipts to submit each month and no worries about what your policy might or might not cover. Think about what would make you happiest if LTC services were needed. The following steps can help you create a design for care. Let's explore each one in greater detail.

- Imagine the type of care you would prefer if there were no restrictions
- Think about where and with whom you are most comfortable
- Determine the changes your home would need for it to remain a safe place to live
- Tie your care plan to your retirement plan and location
- Think about family involvement
- Research your ideas
- Connect the dots
- Establish a well-thought-out backup plan
- Fund the plan

Imagine care with no restrictions

Write down everything that comes to mind—even if it sounds like an absurd idea because what once sounded odd may make sense after you go through all the steps of putting your plan in place. Below are examples of brainstorming:

"I want to live near the beach so I can wiggle my toes in the sand, even if I'm old, infirm and in a wheelchair."

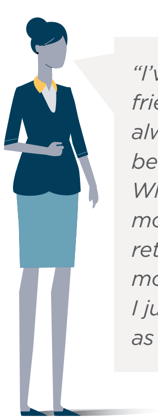
"I've had a great life with more travel and experiences than most. I never had kids and never remarried after my wife died. I would love to live with a family who could help care for me, let me share my life experience with them and maybe teach the kids—and even their parents—about the world and what it has to offer."

"I love my home. I bought this place when the neighborhood was just starting to revive, and I put a lot of my heart, soul and labor into this house. I can't imagine leaving my sun room and the view of my garden. It's a two-story house, but with some thought I might be able to stay here safely if I needed care."

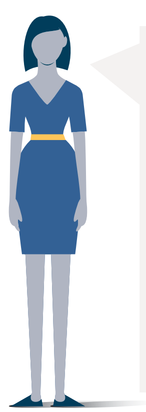
"I don't like the idea of going to a facility for care, and I don't want strangers coming into my home to take care of me. I hear that robots will be the wave of the future. I like that idea because it may help me receive the care I may need in my own home while retaining my privacy."

Think about where and with whom you are most comfortable

For many people, happiness means being surrounded by the people they love and being in a place that is comfortable and familiar.



"I've had the same two best friends since college. We've always said that we want to be together in our old age. Whether we share a home, move to a continuous care retirement community or move to the same facility, I just know life will be fine as long as we stay together."



"Grandma lived with us the last few years of her life. I know it was hard for my mother at times, but that's because she didn't have adequate resources to help her juggle the responsibilities of being a mom and taking care of Grandma. But it was the best time of my life growing up. Grandma taught me things and loved me in ways that were different from my mom and dad. If my daughter is willing, I would love to live with her so she could care for me and I could provide my grandsons with the same love and learning that I experienced with my grandmother."

"I love the desert and being out west. I can breathe there. I'd like to be able to live there in retirement and during the time when I need help with my care."

Determine the changes your home would need for it to remain a safe place to live

Studies show that most people would prefer to stay in their home to receive care for as long as possible[1]. But home care requires planning, especially when it comes to safety and accessibility. It's important to think about the pitfalls your home presents and how to solve those problems.

"I have a two-story house, but there is only a half bathroom downstairs, so moving my bedroom to the dining room would create a problem since there is no place to bathe."

Solution

Install a stair chair for riding up and down the stairs. This will likely work for as long as it is possible to transfer in and out of the chair

"My shower is a bathtub/shower combo. I can see the day when it could be difficult to step over the tub. It's also a bit slippery, and I may not be as sure-footed down the road."

Solution 1

Install safety bars to hold on to while stepping into the tub, and resurface the tub with a non-slip floor

Solution 2

If space allows, replace the current tub/shower combo with a walk-in bathtub. This would eliminate the need to step over the edge of the tub

Tie your care plan to your retirement location

Where do you want to retire? Your plan should reflect this location when considering:

- LTC services that might be available
- The cost of LTC and other services you envision
- Proximity to your children if you need their assistance

Deciding where to retire makes it possible to pinpoint opportunities and costs for care.

Think about family involvement

If you have family members who you'd like to participate in your care, think about how much involvement you may want or need. While some people may want family members and friends to provide their care, others may prefer physical caregiving from another source, reserving family support for help with financial decisions, bill paying, doctor's appointments and other advocacy.

Family support should be discussed up front with the people you want involved in your care to make sure they are both willing and able. Together you can design options that will work for your needs as well as theirs. This discussion should be readdressed annually to ensure that everyone is still on board and to account for life changes such as death, divorce or relocation. For example:

"We live only 20 minutes away from our daughter and her family, but she reminded me that 20 minutes might as well be 20 miles if she has to make several trips a day to help us. A one-floor house located only two doors away from her just went on the market, and she would like us to buy the house and move into her neighborhood. We can help more with the grandkids now, and they can all help us later as we age."

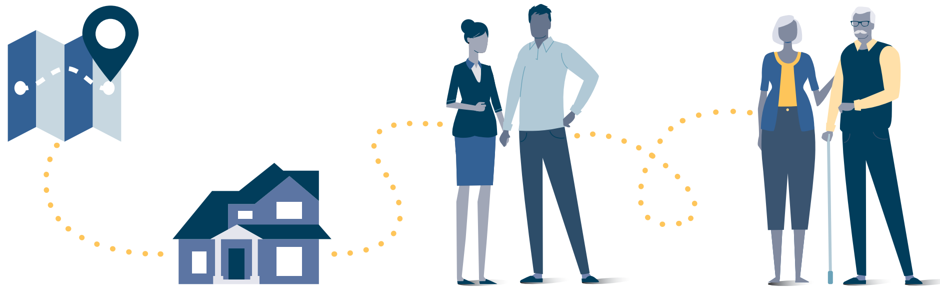
"My son is looking to change jobs and I am about to retire. We have all decided to move to Florida so my son and his family are close by if I need help."

[1] Health Care and Long-term Care Study, presented by The Harris Poll for Nationwide, March 2018.

Research your ideas

Even the best-laid plans will go amiss if you don't do your research. Find out in advance if the services you want or the plans you've created are available where you plan to live.

- **You are single and want to live with a family when you need care**
  - Make sure foster care for the elderly programs are available in the community where you plan to live
- **You want to add a full bath to your main floor so you can convert the formal dining room to a bedroom when climbing stairs is no long possible**
  - Consult a contractor now to be sure this can be done; if not, you will need to adjust your plans before timing and need becomes critical



Connect the dots

Once you've imagined how and where you'd like to receive care—and you've walked through the other steps—you can connect the dots for a customized plan. Using some of the brainstorming examples discussed so far, let's put a hypothetical plan together by connecting the imagined picture of care, the retirement location, who is desired to be nearby, the desire for family involvement, how the family is willing to participate and the research required.

> *"I want to be near the beach so I can wiggle my toes in the sand—no matter how old or infirm I might be. We always loved our family trips to Florida, and since my son is looking for a new job and I am about to retire, we have decided as a family to move to Florida.*
>
> *While I would love to live with my son and his family, they aren't on board with that. However, they like the idea of having me next door or down the street. That's why we've asked a real estate agent to look for two homes close by in communities that have good schools for the grandchildren.*
>
> *Florida has an abundance of one-floor plans and main-floor living, so I can choose my new home with that in mind. I hope to receive care services in my home and stay there as long as possible."*

Establish a backup plan for care

As people age, they face the unknown. Alzheimer's or dementia may enter the picture. Our plan for aging on our own terms may require adjustments, and it's possible that we may no longer be able to make choices.

Think now about where you would want to go if you were to need care in a facility. After sorting through the many options, make sure you communicate your wishes to your family.

Give your children permission to do what they need to do when you can no longer make your own decisions. It's hard enough to watch parents decline, and it's even harder when a parent with dementia cries and complains about how much they hate where they live. Tell your children in advance that they have your blessing to change plans if necessary; this can help alleviate any potential guilt they may experience when care needs escalate

Fund the plan

Once your plan is in place, make sure it's funded. A potentially cost effective way to do that would be to consider long-term care coverage so your plan can be paid for with leveraged dollars rather than dollar for dollar out of your pocket. The more unique the plan is, the more likely a cash indemnity policy could be appropriate to fund the type of care services that fit your needs. Creating a plan now for potential long-term care needs in the future can help lead to a more fulfilling care experience for both you and your family.

Clients

Ask your advisor to help you complete a quick 15-question Health Care/LTC Cost Assessment Fact Finder to obtain your Personalized Health Care/LTC Cost Assessment

Financial Professionals

Complete a quick 15-question Health Care/LTC Cost Assessment Fact Finder with the client to obtain a Personalized Health Care/LTC Cost Assessment client report from Nationwide. Visit **nationwidefinancial.com/healthcare**

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NFM-17567AO (07/18)

Planning for Every Possibility

Alternatives to traditional long-term care protection

OneAmerica®

OneAmerica® is the marketing name for the companies of OneAmerica

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A worry-free retirement

Enjoy yourself knowing you're protected

In retirement, your assets generate your income. And to have the kind of retirement you've always wanted — spending time with your family, traveling and more — you have to ensure that your retirement income is protected.

To enjoy retirement without having to make any drastic lifestyle changes, without having to rely on help from your friends or family, and without having to accept substandard levels of care as you age, your retirement income strategy has to account for three important factors:

- How long you will live
- How your investments will perform over time
- How much you will spend each year in retirement

Wade Pfau, Ph.D., CFA, and Michael Finke, Ph.D., CFP®, of The American College of Financial Services have shown how these risks can be effectively managed. In recent studies, Dr. Pfau and Dr. Finke illustrated how an integrated approach to your retirement income strategy can optimize retirement income, and how long-term care benefits can protect you from extreme health care expenses in your later years.

70%

of all individuals ages 65 and older will require some type of long-term care services[1]

76/81

Average lifespan in the U.S. today for males/females[2]

91/92

Life expectancy of an 85-year-old male/female[3]

1. "How Much Care Will You Need?" LongTermCare.gov. https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html. Web. 21 February 2017. **2.** "Mortality in the United States, 2015." NCHS Data Brief No. 267. December 2016. **3.** "85 Year Old Life Expectancy." HealthGrove.com. http://life-span.healthgrove.com/l/86/85. Web.

Protect yourself and your family from the unknown costs of health care

The unknown cost of health care is among the most significant risks to any retirement plan. Unlike most spending in retirement, health care spending increases with age on average and is far more volatile. And 70% of people turning 65 today will eventually need some form of long-term care in their lifetimes.[4]

With traditional health-based long-term care insurance, you pay insurance premiums to help protect yourself in the event that you require long-term care. As history shows[5], the premiums will likely increase over time, and if you never need it, this form of long-term care insurance offers no benefit.

A different generation of protection, such as life insurance or annuities combined with long-term care, creates a hybrid or asset-based product consideration. This approach protects against long-term care expenditures while also providing a guaranteed death benefit, which guards against the possibility of lost premiums.

Long-term care includes a range of services and support for people coping with physical and cognitive decline or who need assistance with daily living, from in-home care to nursing facility and hospice care.

4. "How Much Care Will You Need?" LongTermCare.gov. https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html. Web. 21 February 2017. **5.** Pfau, Wade D., PhD, CFA, and Michael Finke, Ph.D., CFP. "Managing long-term care spending risks in retirement." Based on median distribution of Monte Carlo simulations to reflect typical outcomes. All financial assets earmarked for long-term care are invested as 100% treasury bills. Paid endorsement. 16 May 2017.

Funding long-term care at 65

A 65 year-old couple is starting their retirement and considering their options for long-term care protection. They decide to focus on a severe event because it will have the largest effect on their retirement income.

Their choices include:

- Self-funding from investments
- Traditional health-based long-term care insurance
- Asset-based long-term care benefits combined with whole life insurance

Severe long-term care event averages[6]

Years of life	Care
Last 15 years of life	
14	**Home Aide** • $45,760 annually • 4-year duration • $183,040 total
13	
12	
11	
Last 10 years of life	
9	
8	**Residential Care Facility** • $43,200 annually • 8-year duration • $345,600 total
7	
6	
Last 5 years of life	
4	
3	
2	**Nursing Facility Care** • $80,300 annually • 3-year duration • $240,900 total
1	

6. Pfau, Wade D., PhD, CFA, and Michael Finke, Ph.D., CFP. "Managing long-term care spending risks in retirement." Based on median distribution of Monte Carlo simulations to reflect typical outcomes. All financial assets earmarked for long-term care are invested as 100% treasury bills. Paid endorsement. 16 May 2017.

Potential long-term care event outcomes

With no protection they will:
- Have the highest risk for out-of-pocket costs associated with a mild or severe LTC event
- Receive no death benefit

Self-funding LTC from investments
Severe LTC expenses
$765,979
Out-of-pocket cost
$765,979
Potential death benefit
$0

With health-based protection they will:
- Have premiums that may increase over time
- Need to purchase two policies to ensure they are both covered
- Receive no death benefit

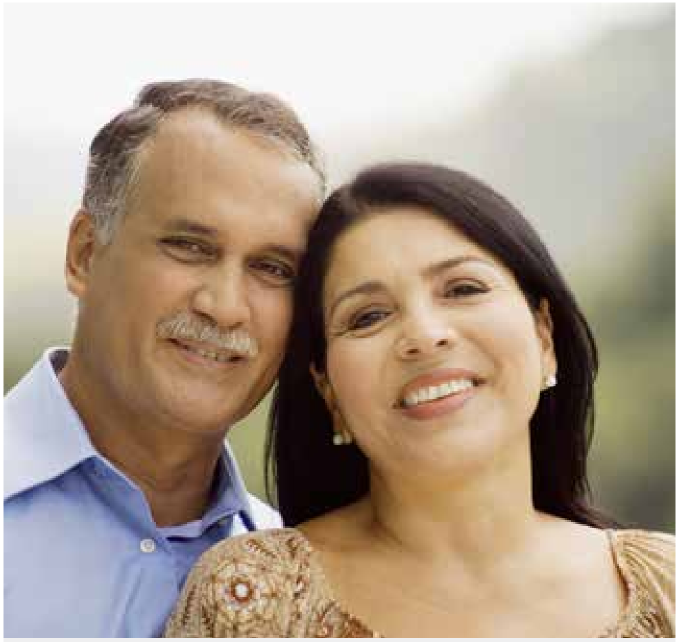
Health-based LTC insurance
Severe LTC expenses
$765,979
Out-of-pocket cost (includes premiums)
$256,765
Potential death benefit
$0

With asset-based protection they will:
- Face the lowest risk for out-of-pocket costs associated with a mild or severe LTC event
- Have premiums guaranteed never to increase
- Have the option to cover both spouses with one policy
- Receive a death benefit

  Note: Potential death benefit reduced if long-term care benefits are received.

Asset-based LTC insurance
Severe LTC expenses
$765,979
Out-of-pocket cost (includes premiums)
$237,566
Potential death benefit
$125,000

Individuals in this scenario are fictitious and numeric examples are hypothetical. Examples are used for explanatory purposes only.



Funding long-term care at 50

A 50-year-old couple is beginning to think about retirement. They are exploring ways to optimize their retirement income.

They are considering how long-term care will affect their retirement. They decide to focus on a severe event because it will have the largest effect on their retirement income.

Their choices include:
- Self-funding from investments
- Traditional health-based long-term care insurance
- Asset-based long-term care benefits combined with whole life insurance

Severe long-term care event averages[7]

Last 15 years of life	
14	**Home Aide** • $45,760 annually • 4-year duration • $183,040 total
13	
12	
11	
Last 10 years of life	
9	
8	**Residential Care Facility** • $43,200 annually • 8-year duration • $345,600 total
7	
6	
Last 5 years of life	
4	
3	
2	**Nursing Facility Care** • $80,300 annually • 3-year duration • $240,900 total
1	

7. Pfau, Wade D., PhD, CFA, and Michael Finke, Ph.D., CFP. "Managing long-term care spending risks in retirement." Based on median distribution of Monte Carlo simulations to reflect typical outcomes. All financial assets earmarked for long-term care are invested as 100% treasury bills. Paid endorsement. 16 May 2017.

Potential long-term care event outcomes

With no protection they will:
- Have the highest risk for out-of-pocket costs associated with a mild or severe LTC event
- Receive no death benefit

Self-funding LTC from investments
Severe LTC expenses
$724,139
Out-of-pocket cost
$724,139
Potential death benefit
$0

With health-based protection they will:
- Have premiums that may increase over time
- Need to purchase two policies to ensure they are both covered
- Receive no death benefit

Health-based LTC insurance
Severe LTC expenses
$724,139
Out-of-pocket cost (includes premiums)
$250,697
Potential death benefit
$0

With asset-based protection they will:
- Face the lowest risk for out-of-pocket costs associated with a mild or severe LTC event
- Have premiums guaranteed never to increase
- Have the option to cover both spouses with one policy
- Receive a death benefit
  Note: Potential death benefit reduced if long-term care benefits are received.

Asset-based LTC insurance
Severe LTC expenses
$724,139
Out-of-pocket cost (includes premiums)
$205,143
Potential death benefit
$125,000

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About OneAmerica®

A national provider of insurance and financial services for 140 years, the companies of OneAmerica help customers build and protect their financial futures.

OneAmerica offers a variety of products and services to serve the financial needs of their policyholders and customers. These products include retirement plan products and recordkeeping services, individual life insurance, annuities, asset-based long-term care solutions and employee benefit plan products.

Products are issued and underwritten by the companies of OneAmerica and distributed through a nationwide network of employees, agents, brokers and other sources that are committed to providing value to our customers.

To learn more about our products, services and the companies of OneAmerica, visit **OneAmerica.com/companies**.

Providing All the Tools for Your Success^sm

Pinney Insurance

Founded in 1972 as a Transamerica branch office and later incorporated as Pinney Insurance Center, Inc., we are headquartered in our own building in Roseville, California. We provide a small local agency feel with the power of a major national firm.

Pinney has expanded into a national distributor with thousands of contracted agents and offices in California, Illinois, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Washington, and Mississippi. Pinney represents over 100 life, annuity, disability, and long-term care companies with the intent of providing our clients & partners with the best possible product solutions at the lowest possible costs. Email Brokerage Sales Support or contact one of our Brokerage Directors today at 800-823-4852.

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Pinney Insurance

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Most Popular Tools

- **Full-Service Brokerage**
  PinneyInsurance.com
  Access to carrier forms, quote tools, and 24/7 case status.
- **Insureio**
  Insureio.com - Insurance marketing evolved!
  Innovative Features
  Plans & Pricing
- **Policy Assessment**
  Learn about our hassle-free Policy Assessment Kit.
- **Ask the Underwriter**
  Introducing Our In-House Agency Underwriter
  Click here for a Basic Underwriting Questionnaire