



SENIOR LIVING FOUNDATION
OF THE AMERICAN FOREIGN SERVICE

PLANNING FOR CHANGE 2022 SEMINAR

LONG TERM CARE INSURANCE:

IT'S NOT WHAT IT USED TO BE, IT'S BETTER!



What is Long Term Care?

Bathing (personal hygiene assistance)

Toileting (using commode)

Continence (control of bowel/bladder)

Dressing (including prosthetics)

Transferring (mobility)

Eating (including preparation of food)

Supervision for Cognitive Impairment (Dementia/Alzheimer's)



Long Term Care is also...

Companion/Personal Needs Care

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

HOW MUCH DOES LONG TERM CARE COST ANNUALLY?

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



Home Health Care	\$62,920 Plus
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Assisted Living	\$58,815 Plus
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Nursing Home	\$116,983 Plus
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Data is from 2021 Cost of Care Survey:
Cost of Long-Term Care By State/Cost of Care Report/Genworth

WHERE MAY I RECEIVE LONG TERM CARE SERVICES?

- Your Home
- Assisted Living Community
- Nursing Home

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



WHAT DOES NOT PAY FOR LONG TERM CARE?

- Medicare
- Medicare Supplement
- Health Insurance



WHAT DOES PAY FOR LONG TERM CARE?

- Personal Assets
- Retirement Accounts
- Medicaid (In some states Medicaid pays nursing home only.)
- Long Term Care Insurance



HOW SHOULD YOU PAY LONG TERM CARE EXPENSES?

- Personal Assets?
- Retirement Accounts?
- Medicaid?
- Long Term Care Insurance?

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



WHEN WILL I NEED LONG TERM CARE?

Long term care has nothing to do with age.



Any adult, anytime, for any reason, may need long term care as result of auto accident, work-related injury, sports injury, recreational injury, diagnosis, or age-related episode.

The probability of needing care to keep us safe increases as we age.

LONG TERM CARE INSURANCE POLICY BASIC COMPONENTS



Four Basic Components of LTC Policy

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

LONG TERM CARE INSURANCE POLICY OPTIONS

Traditional
Long-Term
Care Insurance

Or

Hybrid Long-
Term Care
Insurance

*What is most tax-efficient way
for your circumstances to fund a
long term care insurance policy?*

LONG TERM CARE INSURANCE POLICY FUNDING OPTIONS FOR TRADITIONAL LTC POLICY



Personal Income



Health Savings Account
(Age Based)



Business Account
(May be tax deductible)

What is most tax-efficient way for your circumstances to fund a long term care insurance policy?

LONG TERM CARE INSURANCE POLICY FUNDING OPTIONS FOR HYBRID LTC POLICY



Existing permanent life insurance with cash value



Existing after-tax annuities



Cost of policy depends on age, gender, health, marital/domestic partner status

What is most tax-efficient way for your circumstances to fund a long term care insurance policy?

PENSION PROTECTION ACT AND 1035 EXCHANGE



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

Answer: The Pension Protection Act and 1035 Exchange

WHAT IS THE PENSION PROTECTION ACT?



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

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

What is the 1035 Exchange?

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

Life insurance to life insurance/LTC

Life insurance to annuity/LTC

Annuity to annuity/LTC

WHY DO ALL ADULTS NEED TO PLAN FOR LONG TERM CARE?

1

Avoid being a challenge to loved ones.

2

Protect retirement income and assets

3

Assure quality care.

4

Age in place SAFELY.

5

Leverage money to protect lifestyle.

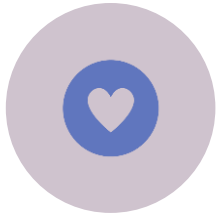
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Maintain independence.

KEY BENEFITS OF LONG TERM CARE INSURANCE (LTC)?



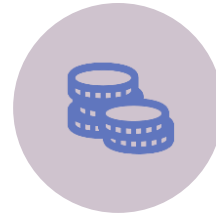
LTC PAYS FOR PERSONAL EXTENDED CARE.



LTC PROVIDES CARE OPTIONS.



LTC IS A FINANCIAL PLANNING TOOL.



LTC LEVERAGES YOUR MONEY.



LTC PROVIDES SUPPORT RESOURCES.



LTC ALLOWS FOR LOVED ONE TO MANAGE CARE.

FREQUENTLY ASKED QUESTIONS

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

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

FREQUENTLY ASKED QUESTIONS (CONTINUED)

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

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

FREQUENTLY ASKED QUESTIONS (CONTINUED)

When a policyholder is ready to file a claim for benefits, who determines if policyholder qualifies for benefits?

Is it difficult to access benefits when an individual remains at home and loved ones are providing some assistance?

When is the right time to file a claim for benefits?

Brief case study discussion.

FREQUENTLY ASKED QUESTIONS (CONTINUED)

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

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

NEXT STEPS:

QUESTIONS TO ASK YOURSELF

If you had to begin paying a minimum of \$5,000 per month for care for an undetermined period, what is the most tax efficient way for your specific circumstances to pay for care?

Could you maintain your lifestyle and pay for care?

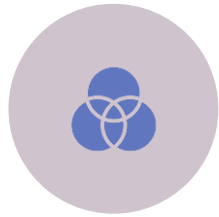
Which assets would you have to liquidate?

What is most tax efficient strategy?

WHY WORK WITH A LONG TERM CARE SPECIALIST?



**SPECIALISTS MAKE
THE COMPLICATED
SIMPLE.**



**SPECIALISTS OFFER
MULTIPLE OPTIONS.**



**SPECIALISTS FOCUS
ON EDUCATING THEIR
CLIENTS.**



**SPECIALISTS HAVE
EXPERIENCE WITH
CLAIMS.**



**SPECIALISTS WORK
WITH YOUR
FINANCIAL ADVISOR.**



**SPECIALISTS HELP
MAKE INFORMED
DECISION.**

QUICK REVIEW:

Why is Long Term Care a problem all adults need to address?

Price vs. Cost

TAX-FREE BENEFIT

Because the price of a long-term care policy far outweighs the emotional and physical cost of caring for an infirm adult.

LTC insurance is still the best solution for long term care expenses.



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QUESTIONS?





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