123 ADVISORS
LONG TERM CARE

"Aging isn't an option, but planning is." - *Stephen Becker*

E-book-Long-term care planning

Understanding the options available today

For additional information please contact:

123 Advisors
19800 MacArthur Blvd. Third Floor Irvine, CA 92692
T:(949)553-9199

F:(949)553-9199

Email:info@123longtermcare.com
www.123LongTermCare.com

PROTECTING YOUR #1 ASSET-FAMILY

At 123 Advisors, we know you want to protect your loved ones. In order to do that, you need to make sure they aren't burdened by your need for long-term care.

The problem is that you're on your own to plan for your care, which leaves you feeling uncertain about your options. We believe you and your loved ones deserve to feel confident about your future.

We understand how confusing the planning process for long-term care can be, which is why we've helped 1000's of people over the last decade make confident decisions. We've created educational tools like classes, webinars, to help people cut through the confusion. Our independent agency works for you, not the insurance companies, to make sure you get the plan that's right for you.

Here's how you do it.

1. **Understand Your Options** by using this book or the educational resources on our website. You can also attend our webinars and events.
2. **Get a Custom Plan.** Once you complete our Pre Screen Form, we'll help you make the right choices for your situation.
3. **We'll Get You Approved.** You'll be guided through the application process to make sure your plan is accepted.

You can stop worrying about being a burden and instead have the satisfaction and relief that there's a plan in place that **protects you and your loved ones and makes sure you get the care you deserve.**

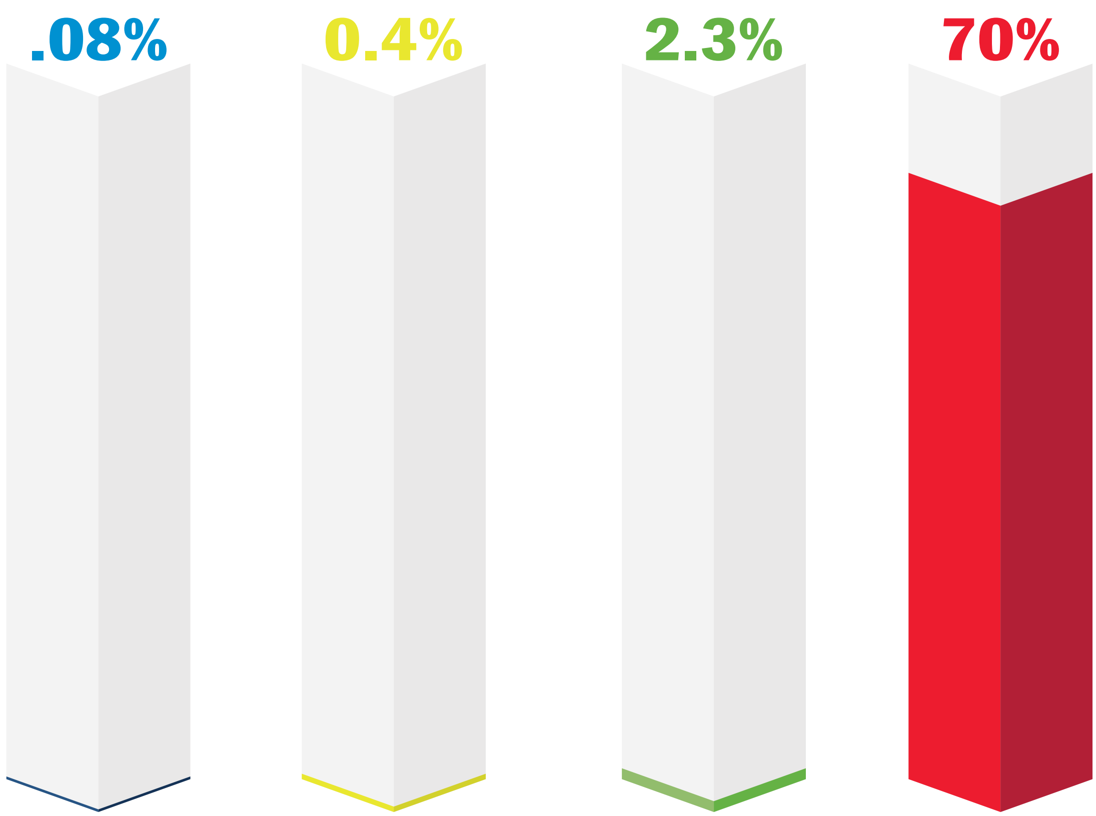
Table of Contents

INTRODUCTION TO LONG-TERM CARE

The Odds are Stacked Against You!

According to the US Department of Health and Human Services, once you reach the age of 65, there is a 70% chance you will use some form of long-term care during your life. In fact, long-term care is the largest single risk you face during your retirement years. Not only does it have the potential to be a devastating financial burden, it also can put a physical and emotional burden on the people you care about most.

THE RISK of a long-term care situation OUTWEIGHS ALL OTHER RISKS COMBINED.



1 in 1,200
Odds of a house fire. [1]

1 in 240
Odds of a car accident.[1]

21 in 900
Odds of ending up in a Critical Care Unit.[2,3]

Nearly 3 in 4
Chance of needing Long–Term Care.[4]

1 National Academy of Elder Law Attorneys, 1999. **2** U.S. Census Bureau,www.census.gov, October 13, 2008. **3** National Center for Health Statistics, Centers for Disease Control, www.cdc.gov/nchs. October 13, 2008. **4** U.S. Dept. of Health and Human Services, National Clearinghouse for LTC Information, www.longtermcare.gov. March 26, 2008

Cost for care can range from $25 per hour for an in-home health care worker to over $20,000 per month for a specialized memory or Alzheimer's clinic. Because of the growing population of Baby Boomers, long-term care costs are expected to outpace inflation for the foreseeable future. (Between now and 2032, nearly 10,000 people a day will turn 65.)

Cognitive claims are the fastest growing area for long-term care and comprise over 50% of all new claims.

Many people believe they are going to live a fulfilling life and then simply go to sleep and take their last breath at the end. The reality for most people is quite different. Medical advances are helping us live longer and many of us will face years of declining ability simply from the fact that we are getting older. This makes the risk of needing assistance from others grow with every new birthday we celebrate. Currently, there are over 12 million adults living in long-term care situations, and that number is expected to more than double by the year 2050.

You can't stop the aging process, but you can mitigate the consequences that come with a long-term care situation by making the effort to put a plan in place today.

What is Long-Term Care?

Generally, long-term care refers to the assistance that a person needs throughout the day when their health is compromised. It includes skilled and unskilled care, occupational therapy, and general custodial care including: housekeeping chores, meal preparation, bathing, dressing, eating, transferring, and the help you need to manage your care.

How is Long-Term Care Different from Traditional Medical Care?

1. Medical care as we know it is for acute care, and its goal is to cure us of an illness. It's for fixing us and getting us back to normal. However, the goal of long-term care is not to cure an illness, but to allow us to attain and maintain an optimal level of functioning.
2. Long-term care encompasses a wide array of medical, social, personal, and specialized housing services needed by individuals who have lost some capacity for selfcare.
3. Individuals who require long-term care are generally not sick in the traditional medical sense. They do, however, require assistance to perform the activities of daily living or supervision due to cognitive impairment.

How do You Pay for Long-Term Care Costs?

There are only two ways to pay for the additional costs that come with a long-term care situation.

- Private pay, which is self-insuring.
- Long-term care insurance which transfers the cost to a private insurance company.

Who Manages Your Care?

Extended care situations require ongoing complex and timely decision making which generally falls outside the scope of the individual needing care. Many times, the burden of managing care is passed on to family and friends. Having a quality long-term care plan provides access to a dedicated team of professionals who navigate the complexities of your care situation, so your family doesn't have to.

What about Medicare, Medicaid and the VA?

MEDICARE Part A (Hospital Insurance) and/or Medicare Part B (Medical Insurance) is for acute care and **does not cover long-term care.** It covers limited home health services for acute care such as intermittent physical and speech therapy, and occupational services, needed for recovery from illness or injury.

- Medicare does not pay for 24hour care or custodial care (meals, homemaker or personal services).
- Medicare may pay up to 100 days of skilled nursing care after an eligible 3–day hospital stay. The first 20 days have a $0 deductible and days 21–100 require a deductible of $176 per day (as of 2020).
- You can learn more about Medicare coverage at www.Medicare.gov.

MEDICAID is an entitlement program designed to provide care for the poor.

- In order to qualify for long-term care assistance, a person must be devoid of any meaningful assets or income.
- This means to qualify for Medicaid, you must spend through your savings and assets down to the state's required level.
- When you qualify for Medicaid, you become a ward of the State, and they will dictate the location and level of care you receive.
- Learn more at www.Medicaid.gov.

VA BENEFITS are available for some long-term care situations for Veterans and in some cases, their surviving spouse.

- However, much like Medicaid, VA benefits provided for long-term care are for those who meet certain need requirements based on income and assets.
- You can read more about available VA Benefits for long-term care at www.VA.gov.

How Long-Term Care Insurance Works

What is Long-Term Care Insurance?

Long-term care insurance provides a tax–free stream of income to help pay for care costs that are not generally covered by medical insurance, Medicare or Medicaid. **Having this coverage gives you confidence about your future and your quality of life in years to come.** You can:

- Live in your home as long as possible.
- Guarantee the quality of your care.
- And preserve your legacy and wealth.

For many people, the most important benefit of long-term care insurance is the ability to protect your loved ones from the burden of providing your care by making sure it's funded and managed when you need it.

What Triggers a Long-Term Care Claim?

Long-term care events can be the result of illness, accidents, age-related limitation or cognitive disease and can happen at any age. **Keep in mind, your doctor determines your eligibility and current long-term care plans are triggered in one of two ways:**

1. **Cognitive Impairment** is generally defined as a deterioration or loss of intellectual capacity. Dementia, including Alzheimer's disease is one of the fasting growing and leading causes for people to file claims for long-term care benefits.
2. **Physical Impairment** is the inability to perform 2 out of 6 activities of daily living known as ADL's and defined as:
   - **Transferring** – Ability to move from one location to another
   - **Toileting** – Ability to get to and from the toilet and clean oneself
   - **Bathing** – Ability to bath/shower, brush teeth and groom
   - **Dressing** – Ability to dress and undress including braces, buttons, fasteners
   - **Eating** – Ability to manipulate utensils and feed oneself
   - **Continence** – Ability to control bladder and bowel functions

How is Long-Term Care Paid Out?

Think of long-term care insurance as a bucket of money that you can access to pay for care when needed. When you set up your plan, you decide these important aspects of your plan:

Total Benefit – how much money is in your bucket

Daily or Monthly Benefit – how fast you can pull money out of your bucket

There are two different ways policies will pay out claims and there are pros and cons to each. Make sure you understand the options, as the type of plan you choose will determine who you can pay and what services are provided by the insurance company.

Reimbursement – This type of policy will reimburse up to the daily or monthly limit of your policy. The insurance company is responsible for the record keeping and will verify the funds paid out are for covered expenses. Benefits received from reimbursement plans are always tax-free. Most reimbursement plans also require formal care givers, and will not pay family members or limit the amount they will pay. Many carriers offer additional services including care coordination, claims specialists, case managers and even concierge level of service at no additional cost to you. When you use less than your limit for care, the remaining money stays in the policy for use at a future date. The policy ends when you spend all the money in your bucket. Unlimited plans are never exhausted.

Indemnity or Cash – This type of policy will pay the full monthly benefit regardless of the monthly expenditures of the client. The record keeping becomes the responsibility of the client. IRS allows a per diem limit to be received tax-free to pay for services. This amount is usually adjusted each year. Amounts spent over this limit are tax-free as long as you can verify the money was used for covered long-term care expenses. Indemnity plans will allow you to pay for informal care or family members and most will not offer any additional claims services.

When you see a policy described in years such as three years or five years of coverage, this simply refers to the **Minimum** time a policy will last if you are pulling out your maximum daily or monthly benefit. If you access less than your full benefit, the policy will simply last longer.

EXAMPLE HOW CARE IS PAID OUT

If a client has a policy that pays $6000 a month for 3 years, then the client has a total bucket of money of $216,000.

$6000 x 12 = $72,000 x 3 = $216,000

However, if the client is only using $100 a day for care or $3000 per month, then the policy will last 6 years instead of 3.

What care is Covered ?

Long-term care encompasses a wide variety of social and community services to aid a person in an extended health care situation. More than 90% of the care needed is considered custodial care, generally defined as the assistance with ADL's or supervision needed due to cognitive impairment. However, long-term care insurance covers a wide variety of services and allows you to pay for the following:

- **Custodial Care**
- Skilled Nursing Care
- Therapy Care (occupational, speech, physical)
- Personal Care (light housework, shopping, meal preparation)
- Housing Expense (in licensed facility)

Where is Care Covered?

The vast majority of people who enter into a long-term care situation will begin their journey in their own residence. Statistics bear out those who have long-term care insurance have more options for care and more control over where they receive their care. Although most individuals choose to age in their own home, long-term care insurance will pay for care in a wide variety of locations including:

- **Home** (yours or your families)
- Adult Day Care
- Adult Family Homes
- Assisted Living Facilities
- Continuing Care Retirement Centers
- Nursing Homes
- Hospice Care
- Special Memory Care Facilities

Remember...
Long-Term Care is an event, not a location.

You Should Look into Long-Term Care Planning If You Want To...

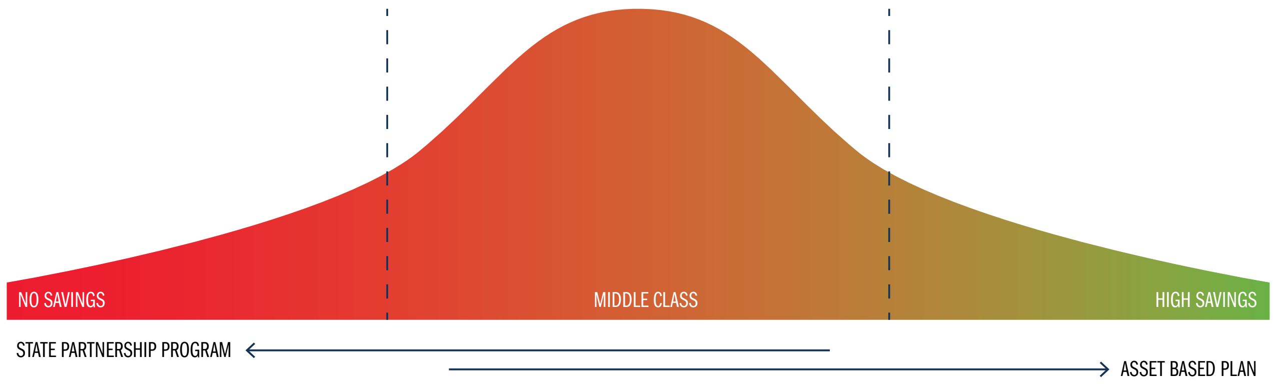
- Stay in your own home for as long as possible.
- Protect your family and not become a burden on loved ones.
- Stay in control of your care options and avoid becoming a ward of the state.
- Avoid liquidating assets, paying unnecessary taxes, and undoing your estate plan.
- Have access to a team of professionals to help manage your care so your family doesn't have to.

Who Should Look into Long-Term Care Planning?

Traditionally, long-term care planning has been aimed at the middle class who are at risk of losing their savings from an extended health care situation. Due to new programs and recent changes at the state and federal level, long-term care is benefiting a wider range of individuals from smaller estates up to the wealthy who have traditionally self-insured.

Depending on savings and income, Traditional or Asset-based plans may work best for your situation.

- Other new programs make it easier for older adults to qualify for plans. Today, many plans accept people up to age 80. Some alternative plans will even go up to age 85.
- Some of the newer plans also accept people who may have been turned down in the past due to medical conditions.



When is the Best Time to Look into Long-term Care Planning?

RIGHT NOW! HERE'S WHY…

First, Your Health Determines Eligibility. All plans require some type of medical underwriting, meaning the insurance company is looking at your overall health before they will agree to insure you. Health is a key factor in qualifying and age is also a factor.

Many people are one doctor visit away from becoming ineligible for long-term care insurance coverage. Once you are turned down, it can be very difficult to find a company who will accept your application.

So, there is no advantage in waiting! In fact, the younger you are when you put your plan in place, the more coverage you will get for the same investment. Younger applicants also have many more plans and options to choose from.

Recent Significant Changes

NAIC Standards on Long-Term Care Plans

NAIC – The National Association of Insurance Commissioners updated the Long-Term Care Model Act in 2009 which all the states have adopted. This means all long-term care insurance policies must meet the new standards, which include standardizing the claims process, policy trigger definitions, and home health care options. The NAIC is also working on bringing transparency and limits on premium increases for traditional long-term care insurance plans.

What this means for you: Regardless of the carrier, plans trigger the same way and cover the same services.

State Partnership Program

The State Partnership Program is a partnership between the states and the private insurance companies who write long-term care contracts. It rewards individuals who purchase a traditional long-term care insurance policy by allowing them to qualify for Medicaid should they need it without spending through all their assets and savings. It will allow an individual to keep one dollar of assets for each dollar the insurance company pays on their behalf for long-term care. Partnership plans benefit people who may not have considered coverage in the past due to lack of resources. Partnership plans only work with qualifying traditional long-term care insurance plans.

EXAMPLE – STATE PARTNERSHIP PROGRAMS

Example: Mary has a qualifying State Partnership long-term care insurance plan. Her health becomes compromised, and she goes on claim and starts receiving benefits. After several years her policy has paid out $225,000 for care and the policy is exhausted. Mary still needs care so she applies for Medicaid. Mary is now able to keep an additional amount of assets equal to $225,000 and qualify for Medicaid.

NOTE *Without this plan, Mary would have to spend her assets down to $2,000 in most states to qualify for Medicaid.*

The Pension Protection Act Insurance Plans.

The Pension Protection Act went into effect in 2010 and greatly changed the way long-term care insurance plans can be set up and funded. It also allows us to use existing Life Insurance and Annuities through a 1035 exchange. *Read more on page 31*

Because of these rule changes, many new programs have been developed that allow clients to set up and fund long-term care insurance plans that provide tax-free long term care benefits and will pay their estate back if they never need care. This new law has had the single greatest impact on long-term care plans and has made self-insuring obsolete for even the wealthiest of clients.

Things to Consider About Long-Term Care Planning

There is No Standard Plan...

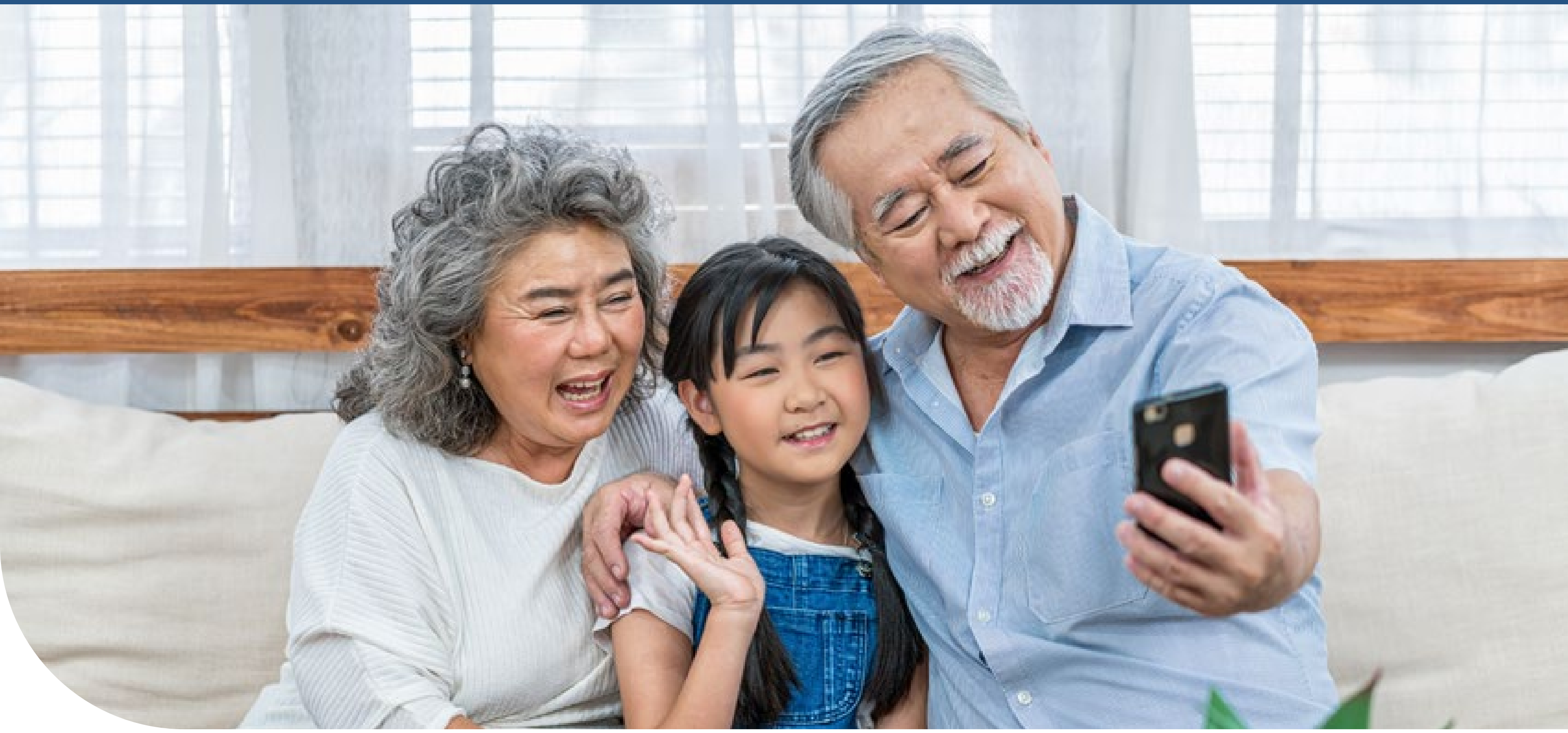
As you move through this book, you are going to learn about different types of plans and read many examples of plans that we have helped design for our clients. Please remember, no two cases are the same and each plan has been tweaked and designed to fit with the client's individual situation. The goal is to provide you with an overall view of some of the options that are available.

Joint Policies vs. Shared Care Policies

Most insurance plans offer discounts to couples when they sign up for a plan at the same time. There are two distinct ways couples can be insured together.

Joint policies include two people on one policy and allow both or one person to draw from the policy until the benefit is exhausted.

Shared care policies provide each individual with their own separate policy. If one person spends through their entire benefit, they can then access their partner's policy to continue paying for care needs.



Tax Deductions for Business & Using Health Savings Accounts

The IRS allows business owners to deduct premiums for long-term care insurance up to set limits each year. (Businesses taxed as a C corporation are not subject to limits.)

Individuals can also pay premiums out of Health Savings accounts up to the annual IRS limits. These limits usually change annually based on inflation and increase based on your age.

40 or less	$450.00/per year
>40 and <50	$850.00/per year
>50 and <60	$1,690.00/per year
>60 and <70	$4,510.00/per year
Older than 70	$5,640.00/per year

**This table is for 2022*

Insuring the Average?

According to Long-TermCare.gov, the average duration a person will need care is 3.7 years for women and 2.2 years for men. Many advisors suggest that plans which cover this amount of time will be sufficient. Our experience has taught us that very few long-term care situations are average, and many situations can drag on for a decade or more. We suggest you consider family history and financial standing when designing your plan. Options are available that can cover up to an unlimited (or lifetime) amount of care if needed.

Consider this: according to the US Fire Administration, average cost of a house fire is $45,109, yet few of us would consider carrying insurance which only covers that amount on our home.

YOUR OPTIONS FOR LONG-TERM CARE

There Are New Ways You Can Fund

Home Equity

Income

Savings

Annuities

Retirement Account

Health Savings Account

Cash Value Life Insurance

New Plans are Nothing Like Old Plans

- Plans now have guaranteed premiums - No more rate increases!
- Plans now pay you back if you never need Long-Term Care - No more “Use it or Lose it!”
- Plans are now standardized, so we know what they cover and where — no more guessing what’s in the fine print!

Quick Comparison: Traditional vs. Asset-based Plans

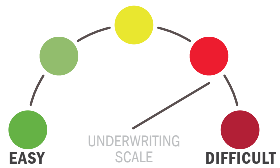
Traditional Plans

- Qualify for State Partnership Program
- Partner discount available
- Can be paid with Health Savings Account (HSA)
- Premiums stop once on claim
- **Premiums are not guaranteed**
- **No cash value**
- **No death benefit**

Asset-based Plans

- Eliminates lost premiums
- Growth/Benefits guaranteed, regardless of the market
- Unlimited Lifetime Benefit available
- Guaranteed Benefit whether you need care or not
- Premiums are guaranteed to never increase
- **Does not qualify for State Partnership Program**

Traditional Plans



Traditional long-term care insurance plans were developed in the late 1970's and peaked in popularity in 2002 when there were over a hundred companies offering this type of insurance. Today, we have fewer than 10 companies who offer these types of plans.

Traditional plans work like homeowners or auto insurance. You decide how much coverage you need and pay your premiums to keep the policy in force. Once you go on claim, your premiums will stop, and you will start receiving the benefit based on how you set your plan up.

Traditional plans can be one of the least expensive ways to pay for care, especially if you go on claim early on. Traditional plans also work with the State Partnership Program to give you an extra level of protection. They allow you to protect assets from Medicaid spend-down rules should you need care beyond the coverage of your long-term care plan.

Traditional plans offer inflation protection which allow the policy and benefit amount to grow over time so you can keep up with rising costs. Many plans also offer shared care policies which allow a husband and wife (or partners to share the benefits of the plan. Because of the different options available from different companies, traditional plans offer a wide degree of customization so you can design a plan that works specifically for your situation. **Most traditional plans pay claims on a reimbursement basis, meaning they will reimburse for actual cost up to either a daily limit or a monthly limit.**

HERE'S HOW IT WORKS

You pay a monthly or annual premium to the insurance company.

This gives you a bucket of money for long-term care.

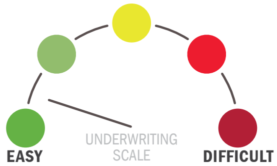
Over time your long-term care coverage can increase.

THINGS YOU NEED TO KNOW

- Traditional Plans Work with the State Partnership Plans.
- Premiums are considered deductible as medical insurance.
- Benefits come back to individual on claim Tax-Free.
- Premiums stop once on claim.

Asset-Based Plans

(AKA Hybrid or Linked Benefits)



Asset-based long-term care plans have been around since the late 1980's but became the fasted growing type of policy after passage of the Pension Protection Act. Asset-based plans allow a person to deposit money into a long-term care plan that will provide them future tax-free long-term care benefits.

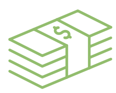
For every dollar you put into your plan, you will get a multiple of dollars back (up to unlimited) tax-free should you need long-term care. If you never need care, you may be able to get your initial deposit back, or more in many cases.

Some plans even offer additional benefits such as tax-free death benefits should you die before using or surrendering your plan.

HERE'S HOW IT WORKS

Make a single deposit or guaranteed level payments to the insurance company.

This gives you a bucket of money for long-term care.



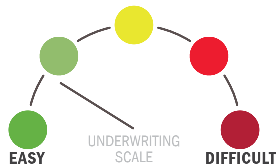
Over time your long-term care coverage can increase.

If you cancel or don't use your policy, the cash value is returned.

THINGS YOU NEED TO KNOW

- No lost premiums, guaranteed to pay you back.
- Growth and benefits are guaranteed regardless of market conditions.
- Benefits can increase over time.
- Long-term care or death benefit come out tax-free.

Savings–Based Plans



Some asset-based plans work like the ultimate savings account. The money is guaranteed to grow at a set rate. If long-term care is needed, will get a multiple of their savings back tax-free for long-term care.

When properly designed, these plans will cost the client nothing and will provide them with long-term care benefits, access to professionals, and tax savings you can't get when self funding.

Cash value growth on many plans outpaces today's low interest savings plans, and the growth on your money is not taxed like traditional savings or CD's. The interest is tax deferred and if you use your plan for long-term care, all the proceeds come out tax-free.

Savings-based plans can even be funded with existing annuities through a 1035 exchange.

YOUR SAVINGS ACCOUNT VS ASSET-BASED LONG-TERM CARE

	YOUR SAVINGS	ASSET BASED LTC
Keep Control of Assets/Care Options	✓	✓
Earn Interest	✓	✓
Avoid Premiums	✓	✓
Guaranteed Growth	?	✓
3x your money for LTC	✗	✓
Tax-Free LTC Benefit	✗	✓

Asset-based plans can be funded with a single upfront payment or a combination of an upfront payment and ongoing payments. **Savings-Based Plans** are paid in a single lump sum payment. Benefits can range from a few years to an unlimited lifetime benefit. As with traditional plans, there is a lot of flexibility on how you can set up and design these plans.

Ways to fund your asset-based plan can be found on page 34-35

SELF-INSURING vs. MEDICAID vs. LONG-TERM CARE PLANNING

SELF-INSURING vs. MEDICAID vs. LONG-TERM CARE PLANNING

Many people think if they have enough money they don't need to worry about long-term care insurance. **This is also known as self-insuring and it puts all of your assets at risk.** It also means you are left up to your own devices to find, manage, and pay for all your care.

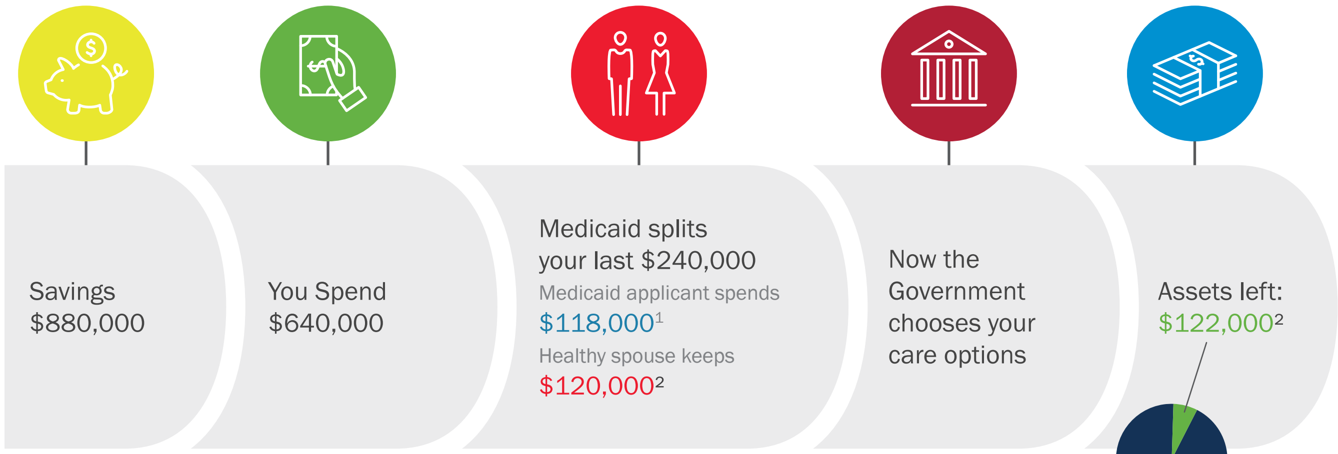
Others mistakenly believe they can legally plan their way out of paying for long-term care and have the government pay through Medicaid. They attempt this by setting up a Trust (such as a Spousal Protection or Safe Harbor Trust).

Assumption: Husband 65 and Wife 62 retired with $880,000 of savings and retirement funds. They own their home free and clear and are living off of pension and Social Security income of $10,300. Income is comprised of husband's pension of $6,000 and Social Security of $2,900 per month. Her income is $1400 of Social Security.

Let's take a look at how these two options stack up to having a long-term care insurance plan.

Self-Insuring

Guarantees: All your savings are at risk if both become ill, and the vast majority at risk if only one person needs long-term care.



1 Must be spent on eligible medical expenses. **2** The maximum Community Spouse Resource Allowance is $126,420 (2019). Healthy spouse is also allowed to keep all of their income. If healthy spouse income is less than $2,114.75, then they may be able to keep as much of the Medicaid spouse's income to bring healthy spouse income up to $2,114.75. Depending on housing costs per month, then the income limit may be increased up to $3,160.50.

SUMMARY

Self-Insuring is often presented as an alternative by many financial advisors as a way to offset premiums. However, self-insuring also creates problems such as risking the majority of your savings as well as paying taxes when converting your assets to income to pay your bills. In our example, these clients will have to spend $758,000 before Medicaid will provide help and that leaves the healthy spouse with only $122,000 of savings. New plans eliminate this risk and will pay you back if you never use them.

Medicaid Planning

Guarantees: You give up $640K regardless if either of you need care. You're still spending down nearly all assets if only one needs care, all if both need care.

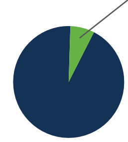
Savings
$880,000

You Give Away
$640,000
(to your children, trust, etc.)
*Must be done 5 yrs prior to applying.

Medicaid splits
your last $240,000
Medicaid applicant spends
$118,000[1]
Healthy spouse keeps
$120,000[2]

Now the Government chooses your care options

Assets left:
$122,000[2]



1 Must be spent on eligible medical expenses. **2** The maximum Community Spouse Resource Allowance is $126,420 (2019). Healthy spouse is also allowed to keep all of their income. If healthy spouse income is less than $2,114.75, then they may be able to keep as much of the Medicaid spouse's income to bring healthy spouse income up to $2,114.75. Depending on housing costs per month, then the income limit may be increased up to $3,160.50.

SUMMARY

Medicaid Planning is often presented as an alternative by many attorneys. However, the net effect is the same as self-insuring. You must give away and spend down the vast majority of your savings in order to qualify for Medicaid. And you must do this at least five years before you apply. If you never need care, you can't get back the money you have given away. You give up control of your care options as the government will determine how you receive care. It also leaves the healthy spouse in a vulnerable position and could wipe out the rest of your assets if that spouse needs care in the future.

Long-Term Care Planning

Guarantees: Single premium plan provides lifetime long term care coverage for both. If they don't need care they're guaranteed to get more money back than they put into their plan tax-free. If husband and wife are both in need, they will receive up to $13,442 per month tax-free for life.

Savings
$880,000

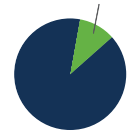
You deposit:
$198,000 with the Insurance Company

Should one or both need care, company pays $6,721/person/month Tax-Free for long-term care costs - for LIFE (unlimited)
YOU choose your care options!

If you die without needing long-term Care, your estate will receive a $224,000 Death Benefit Tax-Free from day one.

If you cancel you always get the cash value of the contract less any LTC benefits paid.

Assets left:
$682,000[2]



*Example above based on a 65 and 62 year old couple in good health at time of application.

SUMMARY

Long-Term Care Planning has changed due to recent federal and state rules. By repositioning a portion of your savings, you can protect all your assets even if both you and your spouse need care. And if you don't need care, you will get your money back. Our example gives up some growth early on the savings side in exchange for a lifetime or unlimited amount of long-term care protection. This is a prime example of why self-insuring or Medicaid planning is not the best option should you need care. If you don't need care, you never lose a dime and get your money back. With an unlimited amount of funds available for care, the family can continue with their other commitments regardless of who needs care or how long they need care.

Additional ways to pay for this same coverage shown on the following page.

Comparing Additional Ways to Pay for Long-Term Care Coverage

	Asset-based Single Deposit	Asset-based Deposit +9 Payments	Asset-based 10 Annual Payments	Asset-based 20 Annual Payments	Traditional (On-Going Payments)
Deposit	$198,000	$132,157	N/A	N/A	N/A
Annual Pay	N/A	$9,990	$25,381	$16,219	$9,670
Monthly Benefit Per Person	$6,721 each	$6,721 each	$6,721 each	$6,721 each	$6,721 each
Maximum Long-Term Care Benefit	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Death Benefit	$224,000	$224,000	$224,000	$224,000	N/A
Guaranteed Level Payment?	N/A	YES	YES	YES	NO

Rates are based on age and health of applicants

Funding Long-Term Care Plans

Home Equity

Home Equity should be considered part of your overall nest egg and can be used to fund long-term care plans. It can be done through forward mortgages or even a reverse mortgage and often provides additional benefits compared to other funding methods.

Income

Income can be used to fund Traditional or Asset-Based plans that are usually set up as pay-as-you-go plans with either a monthly or annual payment. Many plans do offer semi-annual or quarterly payment options as well as auto deduction options.

Savings

Savings can be used as a pay-as-you-go option for Traditional or Asset-based plans. It can also be used to fund a single payment Asset-based plan, which will give you the most leverage and long-term care insurance and eliminate ongoing payments.

Annuities

Changes to the Pension Protection Act have made using existing deferred annuities one of the best ways to fund an Asset-based plan. You can now transfer the annuity into a qualified long-term care plan and pull out all the prior growth on the annuity tax-free.

Retirement Accounts

If you are over age 59 ½, you may withdraw funds from your retirement account to pay for any expense, including long-term care insurance, without a penalty. However, new **Asset-Based plans** give additional tax advantages to this method **by allowing you to spread the taxes out over 10 years.**

Health Savings Account (HSA)

Many long-term care plans can be funded through an HSA account which allows you to pay the premium with pre-tax dollars, up to annual IRS limits.

Cash Value Life Insurance

Similar to annuities, cash value in a life insurance policy can be exchanged for an Asset-based long-term care plan without tax consequences. The client can now have long-term care coverage and life insurance with one plan.

1035X - 1035 EXCHANGE

A 1035 Exchange is a provision in the tax code which allows you, as a policyholder, to transfer funds from a life insurance, endowment or annuity to a new policy, without having to pay taxes.

YOUR APPLICATION PROCESS FOR LONG-TERM CARE

123 Advisors Application Process

01

We will take your application over the phone.

02

Application is submitted to the Insurance Company.

03

The Insurance Company will order any needed medical requirements.

04

You will be interviewed by an insurance representative either over the phone or face to face.

05

The Insurance Company will underwrite your file.

06

Once approved, your policy will be issued and delivered.

WHAT TO HAVE READY FOR YOUR APPLICATION

- Your, SSN, DOB, and State/Country of Birth
- Your Driver's License number and Expiration Date
- Your Beneficiary Information/Someone to be notified in case you are unable to pay your premium (protection against lapse)
- Your Primary Care Physician, the last time you saw them and why
- Information on Specialists you've seen in the last 3 years and any Hospital visits in the last 5 years

Preparing for Your Application

Like most insurance, long-term care insurance requires underwriting before coverage can be placed. Long-term care insurance requires medical underwriting.

- Sometimes it can be as simple as just a telephone interview which will go through your health history and may include some sort of memory or cognitive test.
- They also may require a face-to-face health interview, sometimes with a blood and urine sample, or rarely, an EKG.
- Finally, they may order an attending physician's statement (a summary of your medical records usually 3-5 years) from your primary care doctor.

The underwriting requirements depend on how complicated your current health is and how the plan is designed regarding the level of risk to the insurance company.

When preparing to apply to an insurance company, make sure to be honest with your agent. They should know, based on the underwriting guidelines of the carrier, if it is wise to submit the application. (This is critical because if it is rejected, it is very hard to submit another one, even to other companies.) They also know how to properly word your health information to the carrier.

You will want to have your health information for at least the last two years ready for the application. This includes:

- Any current medications and prescriptions (even if you are no long taking the medication or only use it occasionally
- Any specialists you have seen
- Procedures that have been completed or *recommended.*
- Any doctor visits, ER visits, diagnostic tests done, etc.

You also should be prepared to set aside some time for the underwriting requirements to be completed. In other words, be prepared to respond promptly when contacted to schedule for your phone or face to face interview.

During the Application Process

At 123 Advisors, we use our inside experience to guide and advocate for you throughout the application and underwriting process. We use the information you provide us from your prescreen form and application to better prepare you for the underwriting process as well as any underwriting the insurance company will require of you.

During the application process, make sure you try to avoid any doctor visits that might yield a new diagnosis or information that could delay your approval with the insurance company.

During the questions being asked in the health interview, make sure to directly answer the question being asked, and do not embellish or offer information that was not asked.

Know that the process of underwriting can take up to a month or more depending on the medical underwriting requirements ordered. The longest delay is usually caused by the process of obtaining your medical records, and we may ask you to assist us if needed.

Policy Delivery

Once the policy is approved and funded, it will be printed and mailed to our office. We then audit the policy for accuracy, include some resources, and deliver the policy to you.

Most commonly, the policy is mailed to you. However, it can also be delivered securely and electronically through email with some carriers

Either way, once it is delivered to you, we are always here to review the policy with you and answer any questions you may have while reviewing your policy and coverage.

You also have a 30-day “free look period” once your policy has been delivered. This allows you to review your policy.

If it is not what you wanted or expected, you can cancel and get any premiums you have paid refunded to you.

One of the resources we provide with your policy is a ‘Cheat Sheet’ which can also be referred to as a Summary of Benefits.

This shows the coverage of your policy, how to trigger a claim, how to file a claim, and it has all of your important numbers and contacts.

This should be kept with your policy, but is also useful to provide it to other important friends, family, or advisors who should be aware of your coverage or could one day be filing a claim on your behalf.

If you accidentally lose your policy, this sheet also provides the sufficient information needed to contact the insurance company for claim or any other purpose.

If you accidentally lose your policy, you are still covered.

Funding, Managing Premiums, and Future Payments

All plans must be funded before the insurance company can issue your policy for us to deliver to you.

- Some plans encourage a premium deposit with the application.
- Some companies also offer a “Conditional Receipt.” This can offer you additional coverage during the underwriting process. Ask your agent to find out more.

- Many plans allow you to pay after the approval, and if we are using money from a retirement account to fund your plan, then we have to wait until the final approval to do a rollover or transfer of the funds.

If you have monthly premiums, you will need set up an automatic bank draft.

If you have annual premiums, you will receive an Annual Direct Bill from the insurance company each year, approximately 30 days before your premium is due.

You can change your billing mode if needed, and we will assist you with that. For limited-pay plans, you will be notified when your last premium payment is made and your policy is fully paid up. If you happen to miss your premium payment, do not worry as there is always a 30-day grace period in place to ensure your policy won't lapse.

Application Process FAQ

What do I need to do after the application?

You will either participate in a phone interview or a face-to-face interview with a representative from the insurance company. We will inform you once we know the requirements. Please respond to any request for information in a timely manner to ensure your application process is not delayed. We will keep you updated throughout the entire process.

Can I change my plan after application?

In most cases you can change the coverage amount before the policy is delivered. Depending on the changes requested, the insurance company may seek additional information but as a general rule, we can make changes right up to the delivery of your policy.

How long does the process take?

This will greatly depend on the amount of information the insurance company requires. Some cases are done within a few weeks while others may take several months. The longest delay is usually caused by the process of obtaining your medical records and we may ask you to assist us if needed.

What if I'm not approved?

Although we make every effort to prescreen prior to submission, sometimes the insurance company will not approve the application as submitted. In this case, we will either get a decline or a counter offer from the insurance company. If this happens, we will notify you and discuss any possible options for coverage or let you know of any additional steps we can take. If you have paid, your funds will be returned to you upon decline or if you choose not to move forward with the counteroffer.

WHAT HAPPENS IF YOU DON'T HAVE LONG-TERM CARE?

For Those Who Fail To Plan

Many people who haven't planned end up facing a long-term care situation for either themselves or a family member. However, understanding the options available can help protect assets and relieve family members from having to shoulder the entire task of being a caregiver. Here are some of the options you should know about.

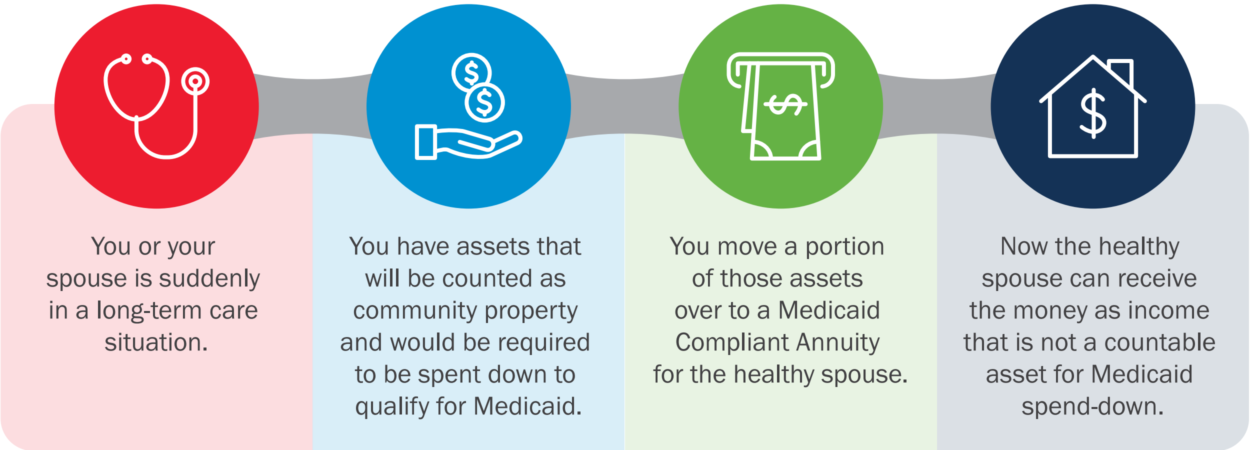
Medicaid Annuities

As a general rule, converting assets into income using a Medicaid Annuity is an option to protect a healthy spouse's assets under Medicaid eligibility guidelines. This is an option that is often overlooked as it has to be done following specific rules. Most annuities don't meet the required guidelines, so you have to do your homework.

When a married couple is faced with a long-term care situation, the community assets have to be spent down to a specific state amount for providing care for the compromised individual. This often leaves the healthy spouse with little savings and resources left for living out their remaining years.

By using a Medicaid compliant annuity, the healthy spouse can convert community savings into an income stream by placing the savings into an annuity contract. This contract will then pay back the savings over five years or less depending on the healthy spouse's age and life expectancy. The savings are now considered income for the healthy spouse and not counted as a community resource.

Essentially, it converts a countable asset into a not countable income stream. This allows the healthy spouse to protect assets that would otherwise be spent down before Medicaid would step in to provide assistance for the unhealthy spouse in need of care.



Using Existing Life Insurance

Over the last few years, new options to provide long-term care benefits have sprung up. These allow individuals to use existing life insurance policies to fund long-term care.

If you have an existing Term, Universal, or Whole life insurance policy, you may be eligible to set up a long-term care benefit plan. The benefits come back to the individual in need of care tax-free.

This provides tax advantages and allows the person to receive the option of paying for care without having to pay premiums and there is no waiting period. Because each situation is unique, the plans customize payments to the individual based on the current amount of life insurance and the health of the individual.

Because value in a life insurance contract is often considered a countable asset by Medicaid, many individuals are forced to surrender their life insurance to qualify for help from Medicaid. This often results in a fraction of the benefit they could receive if they converted it to a long-term care plan.

The long-term care benefit is an accepted form of payment for Home Care, Assisted Living, Nursing Home, Hospice and Memory Care and can even be used to pay family members who have taken on the role of caregiver.

Medicaid Divorce

In some rare cases, divorce has been used to qualify a person in need for Medicaid. In its simplest form, it is used to protect assets by transferring assets to the healthy spouses and impoverishing the spouse in need so they can qualify for Medicaid. Rules vary by state and due to tighter restrictions and state limitations, this is a less common option than it was in the past.

HE'S YOUR UNCLE - NOT YOUR SUGAR DADDY

Many people believe that Medicaid or the government will pay for long-term care services when they are needed. People believing they are entitled to free long-term care because they have worked hard and paid taxes will be greatly disappointed. **REALITY: Medicaid only steps in when you are broke.** You will have to sell off your assets and spend your savings before the government helps. **Paying for long-term care is up to you so plan for it before it's too late.**

The Pitfalls with Self-Insuring

Self-insuring long-term care costs is a risky proposition in many ways. Many people believe self-insuring long-term care costs is an alternative, yet few would consider self-insuring their home, health or auto. However, during retirement, the risk and cost from a long-term care situation is higher than all those other risks combined. If you don't have a plan in place, then your default plan is self-insuring which can expose all your income and assets to pay for care. Please consider the following points.

False Assumptions

Not understanding the true costs of a lengthy care situation is often a reason many individuals and their advisors will not put a long-term care plan in place. Although costs will vary depending on the amount and level of care being provided, many people are simply not aware or prepared for the expenses that can come from a prolonged care situation. Many cognitive situations will last for years, requiring specialized care services which can be quite expensive and possibly decimate the best savings and estate plans.

Income vs. Assets

Income pays expenses, not assets. Many individuals often assume because they have assets, they will be able to afford to pay for their long-term care expenses. However, often overlooked are the many problems that come from trying to convert assets into income.

Taxes and market timing will have a direct effect on converting assets to income. Personal and emotional consequences are often overlooked as well. Think of the issues of having to sell a family home or business in order to generate the necessary income due to an unexpected care need.

Not Understanding Options

Many who self-insure do so without understanding the many options that are now available. Recent changes to the Pension Protection Act have made it beneficial to use a current portion of your existing savings to protect the rest of your assets by setting up a leveraged plan. Not only will you guarantee a tax-free amount of coverage, you will not pay taxes on the accumulation of the policy.

Some plans guarantee a full return of premium at anytime should you not use them for long-term care or decide to cancel the policy. These programs also guarantee an amount of coverage that will be available at a future date regardless of current market conditions.

Because of the many funding options, individuals can now use a wide variety of sources to fund a plan including:

- Savings
- CDs
- Existing annuities
- Cash value in life insurance contracts
- Retirement funds
- Or even home equity

By setting up an approved plan, you will save taxes, protect your portfolio, and not be subjected to an unlimited amount of risk that comes with self-insuring. You will also have access to any money you put into your plan should you need it for other reasons.

You need more than a long-term care plan...

Long-term care planning is the foundation of the overall planning process needed for retirement. However, it does not replace the need for financial and estate planning. Long-term care planning makes sure an extended health care situation does not undo a well-thought-out estate plan or wipe out your hard-earned savings.

What is Estate Planning?

Proper Estate Planning fulfills some basic goals by:

- Keeping you in control of your estate as long as you are able to do so.
- Designating the person to manage your estate when you are no longer able to without court intervention.
- Making things as easy as possible for your loved ones upon your death
- Passing on your estate the way you want, avoids conflict with administration of your estate.
- Minimizing taxes, delays, court and attorney fees.

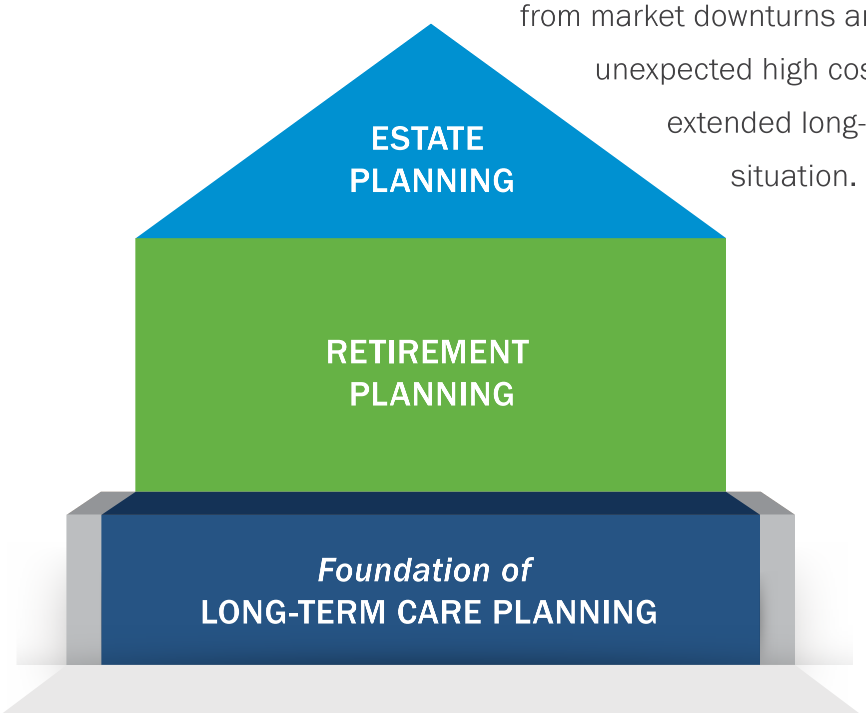
Estate planning is more than just getting a simple will or a trust set up. It is a crucial process to make sure you get to live out your life in the fashion and the location that you choose. Many people don't realize the importance of proper estate planning until it is too late. Make sure you look into protecting yourself if you haven't done so already.

Financial Planning for Retirement?

Although everyone has a different risk tolerance for investing, protecting your nest egg in retirement becomes all the more important. You can mitigate your exposure to the market by working with a trained financial advisor who understands the importance of limiting your downside risk to your portfolio. One of the biggest risks to your savings and investments is having to liquidate or convert assets into income in a volatile or down market.

Long-term care planning works with your financial planning by providing you a tax-free stream of income when you need it most and allows you to pay for the care you need regardless of what the market is doing. It also makes sure an extended health care situation does not undo your future commitments to your family or your lifestyle.

Make sure your advisor understands the importance of protecting your assets from market downturns and from the unexpected high costs of an extended long-term care situation.



Myth Busters

I won't end up in long-term care.

The facts are clear. Nearly 3 in 4 adults will end up in a long-term care situation during their retirement years. The average time someone spends in a care situation has been increasing as advancements in medical treatments keep us alive longer.

If I put a plan in place, premiums will increase until I can't afford to keep the plan.

Simply not true! In fact, Asset-based plans that are paid over time have guaranteed level premiums so you will never see an increase. Traditional plans do not have guarantees on premiums; however, the National Association Of Insurance Commissioners (NAIC) have developed new guidelines that the states have adopted to limit the ability for the carriers to raise rates, with the goal of providing rate stability moving forward.

Medicare or Medicaid will pick up the tab.

People are under the mistaken impression that there is some government program designed to pay for long-term care costs. Medicare pays for acute care and up to 100 days of skilled nursing (first 20 days without deductible after a qualifying 3-day stay in a hospital. It does not pay for long-term care. Medicaid is a safety net program for the poorest of our society. It spends the majority of money on end of life care for people without any meaningful assets or income.

It's too expensive.

Thanks to new federal rules and state programs, there have never been more choices or ways to set up and fund a long-term care insurance plan. If designed correctly, many Asset-based plans will cost you nothing if you never end up in care, and protect your estate and save taxes if you do. New Partnership plans are more affordable than ever and allow even a small plan to protect additional assets from Medicaid spend-down rules. Long-term care insurance is by far the least expensive way to pay for future care needs as you trade pennies today for tax-free dollars in the future.

It's for Nursing Homes only.

You've probably heard the term "nursing home insurance" as this was a nickname for long-term care insurance plans that paid for care if you ended up in a nursing home. Today's plans are what we call comprehensive plans that cover care regardless of where you choose to receive it. This includes: your home, adult day care centers, respite care, assisted living facilities, your children's home, nursing homes, special memory or Alzheimer's facilities and even hospice care. Some older policies were limited as to where care could be provided, but the new plans let you decide.

I'm too old to get coverage.

We hear this a lot, and the fact is, the sooner you put your plan in place, the more options and the more coverage you will get for the same dollar. However, new options have expanded our age window up to 85 for some programs.

I can self-insure with my savings.

Many people underestimate the actual costs that come with an extended health care situation. For example, they can fail to consider the additional tax burden you have when you start converting assets into income, or the length of time someone may need to pay for care. Over half of Americans run out of savings during retirement and a leading cause is an extended long-term care situation.

My family can take care of me.

Maybe. But unless you have been a 24/7 caregiver for someone, you might be underestimating the amount of work being a caregiver entails. Many caregivers end up sacrificing their own health and become chronically ill from the additional physical and emotional stress that comes with being a caregiver. Having a long-term care plan allows your loved ones to manage your care rather than provide it.

Wealthy people don't need long-term care insurance.

New Asset-based plans make self-insuring obsolete regardless of how much money you have. If you never need care, it doesn't cost you a thing. In fact, they have a guaranteed, tax-deferred growth rate that out performs most savings and CDs. You will eliminate the need to convert assets to income, paying unnecessary taxes, avoid selling off assets in poor market conditions, and move the risk over to the insurance company should you need care. The Pension Protection Act has made planning for wealthy people more advantageous than doing nothing.

I should wait until I'm 60 or older to put a plan in place.

This may work just fine unless you have stroke at 59 or any other medical condition that can make you uninsurable. Many people are just one doctor visit away from becoming uninsurable. The truth is, your health is what allows you to put a long-term care insurance plan in place. Nationally, 1 in 3 people who apply for long-term care insurance are turned down. This is because they wait too long. Many advisors like to use finite numbers to tell you when to put a plan in place. However, if your health is already compromised, you may be denied coverage regardless of your age. The best time to look into long-term care planning is when you are healthy and you can put a plan in place that works financially. You can't get insurance when your house is already on fire even if it is just a small kitchen fire.

EXAMPLES

Examples

Let's review some examples of how we have helped our clients design and implement long-term care plans.

The following types of plans are covered:

TRADITIONAL PLANS These are pay-as-you-go plans that can be funded with any source of income. Shared care options are available as well as inflation riders that will allow the policy to grow over time. These plans also work with the State Partnership Program and have many design and payout options.

ASSET-BASED PLANS These plans can be funded with a single upfront payment or with guaranteed level payments. Design options include: joint policies, inflation riders, unlimited lifetime benefits and guaranteed cash value growth. Some include a death benefit option. These programs are guaranteed to pay you back even if you don't use them for long-term care.

Future pricing is subject to change and the following examples may not be available due to carrier changes. However, once your plan is in place, there will be no changes to your plan.

EACH PLAN IS UNIQUE

Regardless of the type of plan you choose, we will guide you through the process of designing a plan that fits with your goals and financial situation. We will help you take into consideration any tax-advantaged ways to fund your plan including using Health Savings Accounts, business deductions, and even using retirement funds in a tax-advantaged way. Your plan is truly unique to you.

EXAMPLE Unlimited Long-Term Care Benefits for Two

Asset-based **Funded with Savings**

Husband 68 and Wife 66 make a single deposit of $238,313 into their asset-based plan. They will each receive a monthly benefit of $7,200 ($86,400 annually per person) for an unlimited amount of time should they need care. The plan also has a $240,000 guaranteed return of premium which is structured as a 2nd to die death benefit. Both the husband and wife can pull out $7,200 a month for as long as they need it.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$7,200	$7,200	$7,200
Tax-Free Death Benefit (Return of Premium)	$240,000	$240,000	$240,000

Note: The death benefit means they are guaranteed to get $240,000 back in either long-term care benefits, tax-free death benefits or a combination of both. So they will always get what they put into the plan back but they can pull out long-term care benefits for as long as they need without a limit. Therefor protecting their entire estate from an on-going long-term care event.

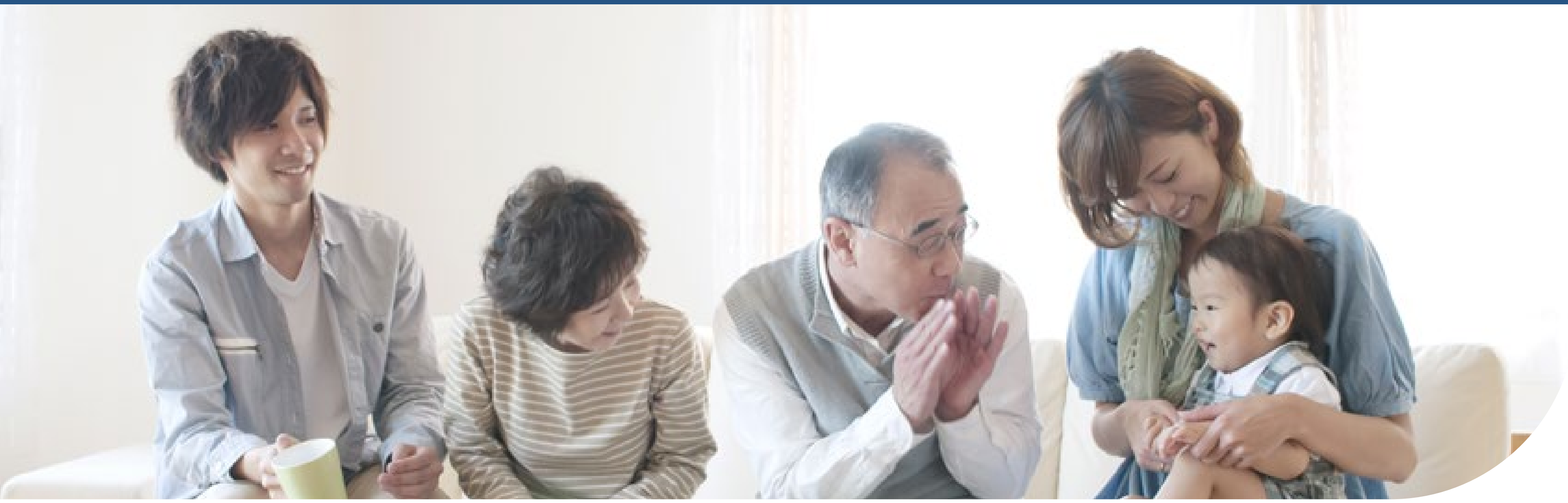
EXAMPLE Cash Benefit with Inflation Growth

Asset-based **Funded with Savings**

Female 61 makes a single deposit of $133,794 into her plan that provides her with an initial long-term care benefit of $310,682 that she can pull out at a rate of $4,003 per month. The monthly benefit and total amount of coverage will grow by 3% each year. The death benefit guarantees her estate will get most of the money she puts into the plan if she doesn't use it or only uses part of it. Also, if she does use all of the long-term care insurance, her estate will still get a guaranteed minimum death benefit of $25,066.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$405,369	$544,782	$732,142
Monthly Cash Benefit	$5,222	$7,018	$9,432
Tax-Free Death Benefit (Return of Premium)	$120,000	$120,000	$120,000

Note: This plan pays cash, which means she can use the funds tax-free to pay for informal or formal care. If she uses less than the death benefit for long-term care then her estate will receive the difference upon her death. However, she has a long-term care benefit that will pay out monthly for a minimum of 6 years. **Guaranteed death benefit even if all long-term care benefits used: $25,066.**



EXAMPLE Cash Benefit with Inflation Growth

Asset-based **Funded with Savings**

Female 56 Makes a single deposit of $127,168. This gives her an immediate benefit of $367,481 that she will be able to pull out at $4,734 a month. This plan will last her a minimum of 6 years once she is on claim. Both the monthly benefit and the total amount of coverage will grow each year by 3% compounded. The plan offers an immediate death benefit of $127,168. Even if she uses all of her long-term care insurance, this plan will still pay a guaranteed minimum death benefit of $22,725 to her beneficiary.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$479,480	$644,381	$865,994
Monthly Cash Benefit	$11,157	$11,157	$11,157
Tax-Free Death Benefit (Return of Premium)	$127,168	$127,168	$127,168

Note: This is a cash benefit plan so no receipts are required to receive her monthly benefit. Cash benefits can be used to pay for informal care. This plan also has a return of premium feature that grows each year and will return her full premium after 10 years if she cancels her policy. **Guaranteed death benefit even if all long-term care benefits used: $22,725.**

THINGS YOU NEED TO KNOW

Funding long-term care plans with retirement accounts is one of our most popular ways to fund a plan. It allows you to buy more insurance with a lump sum payment while spreading the taxes out over 10 years.

EXAMPLE Lifetime Benefits

Asset-based **Funded with Savings**

Husband 62 and Wife 60, make a single deposit of $312,635 into their plan that provides them with an unlimited long-term care benefit of $10,000 per month for each person. If both clients are on claim, they may draw up to $20,000 per month out of their plan tax-free for an unlimited amount of time. This plan also includes a second to die death benefit of $500,000 that will be paid to their beneficiaries if they never need long-term care.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$10,000	$10,000	$10,000
Tax-Free Death Benefit (Return of Premium)	$500,000	$500,000	$500,000

Note: This plan provides the clients with an unlimited amount of long-term care protection that can be accessed up to $10,000 a month per person for life. If they never need care, the death benefit will be paid to their estate. The policy can be surrendered at anytime for the guaranteed cash value. There are no additional payments required on this plan.

EXAMPLE Lifetime Benefits Funded with Retirement Funds

Asset-based **Funded with Retirement Account**

Husband 70 and Wife 69, make a single deposit of $225,000 that is rolled out of an IRA and taxed over 10 years. This plan will provide each of them with a monthly long-term care benefit of $4,581 per person for an unlimited amount of time. The plan also guarantees at least $229,060 will be paid back to them or their estate in either long-term care benefits, death benefit or both, tax-free.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit	$4,581	$4,581	$4,581
Tax-Free Death Benefit (Return of Premium)	$229,060	$229,060	$229,060

Note: Since we funded this with an IRA, the insurance company will set up another account which will fund the long-term care plan on their books over 10 years. The clients will receive a 1099R each of those 10 years in the amount of $24,750. This is the amount they will have to claim as income, not the initial roll-over amount. The clients could just keep their money in their IRA and pay the 10 annual payments of $24,750, but the insurance company will let them buy those payments for an upfront deposit of $225,000 and spread the taxes out over 10 years.

EXAMPLE Savings Plan 3X Leverage

Asset-based **Funded with Savings**

Male 84, makes a single deposit of $100,000 into his plan, this provides an immediate longterm care benefit of $298,845 which can be used over 6 years. If the client passes away, his estate will receive the cash value minus any long-term care benefits paid.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$298,537	$296,303	$296,303
Monthly Benefit	$4,089	$4,059	$4,028
Cash Surrender Value	$94,512	$98,768	$98,028

Note: Mistakenly, his advisors told this client he was too old for a long-term care plan. He wasn't. This plan gives the client a simple 3 to 1 leverage on his money should he need care. And all the proceeds come back to him tax-free for that care. To fund this, he used savings that would have been used to pay for care if needed but now he will receive approximately three dollars back for every dollar he put into the plan. These plans work for individuals up to age 85.

EXAMPLE Deposit Combined with 9-Pay

Asset-based **Funded with Savings**

Female 47, Makes an initial deposit of $58,594 combined with 9 annual payments of $6,259 per year. She made the deposit to lower the ongoing payments. Her plan will provide her with an initial total long-term care benefit of $388,105 that she can access at a starting rate of $5,000 per month. This plan has a 3% compound growth rider that grows the monthly benefit and the total benefit each year. After all ten payments are made the policy is paid up in full and she has a full return of premium if she cancels along with a $135,944 death benefit that starts year one.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$506,389	$680,545	$914,596
Monthly Cash Benefit	$6,524	$8,768	$11,783
Tax-Free Death Benefit (Return of Premium)	$135,944	$135,944	$135,944

Note: This is an example of putting some money to work upfront and paying the remainder of the premium over time. She has full coverage from day one along with a guaranteed minimum death benefit of $24,000 that is paid out even if she uses all of her long-term care insurance. Long-term care benefit is cash so she can pay for informal care with this plan as well. **Guaranteed death benefit even if all long-term care benefits used: $24,000.**

EXAMPLE Unlimited Long-Term Care Benefits for Two

Asset-based **Funded with Savings**

Husband 74 and Wife 72, make a single deposit of $359,088 into their plan. This provides each of them a monthly benefit of $8,000 for long-term care. This policy has an unlimited lifetime benefit of $8,000 a month for each of them. They may cancel the plan at anytime for the cash surrender value and there is a second to die death benefit of $400,000 that will be paid to their estate if they never use the plan for long-term care.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$8,000	$8,000	$8,000
Tax-Free Death Benefit (Return of Premium)	$400,000	$400,000	$400,000

Note: Here is a great example of an older couple who were told they were too old for long-term care insurance and they could self-insure. By repositioning some of their savings into this plan, they are guaranteed to get a minimum of $400,000 back tax-free in either long-term care benefits, death benefit to their estate or a combination of both. Whenever you see a death benefit, the estate will get that amount minus any long-term care benefits paid. However, if they end up in an extended long-term care situation, they have an unlimited benefit that will pay each of them $96,000 a year for the rest of their lives. This is not a shared benefit for long-term care. They each receive up to $8,000 a month for life. There are no payments required and they are guaranteed to get more back then they put in and the benefits come back to them tax-free for long-term care and are not counted as income ever!

THINGS YOU NEED TO KNOW

Whenever there is a death benefit included on a plan, the client is always guaranteed to get this amount minus any long-term care expenses paid by the insurance company. This means if someone requires long-term care but uses less than the death benefit, their beneficiaries will get the difference tax-free.

EXAMPLE Using Existing Annuity

Asset-based **Funded with Existing Annuity**

Female 68, Rolls over an existing annuity of $137,562 into a long-term care annuity. This is done using a 1035 Exchange removing any tax consequences of using the annuity. She will start with an initial long-term care benefit of $344,548 that she can access over time at a rate of $5,742 a month. This plan will last her a minimum of five years and the benefits come out tax-free if used for long-term care.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$416,665	$499,998	$550,355
Monthly Benefit	$5,787	$6,944	$7,644
Cash Surrender Value	$151,416	$166,666	$183,452

Note: This is a great way to take advantage of the Pension Protection Act from 2010. Should she need care, the growth she has in her existing annuity will come back to her tax-free along with the additional long-term care benefits. The plan can grow based on current interest rates but has the potential to grow even more if rates increase in the future. This is a great way to leverage up an existing asset and save taxes along the way.

EXAMPLE Savings Plan

Asset-based **Funded with Home Equity**

Female 77, sets up an asset-based plan with a single payment of $192,000 funded with the proceeds of a reverse mortgage. The client has an initial benefit of $576,000 for long-term care that can be pulled out over 6 years. She also can pull out up to 10% of her cash value per year without penalty without canceling her long-term care coverage. If she dies without using long-term care, her estate will receive the cash value of the policy.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$576,000	$576,000	$576,000
Monthly Benefit	$8,000	$8,000	$8,000
Cash Surrender Value	$192,000	$192,000	$192,000

Note: This client wanted to age in her home and did not want to risk spending through her retirement accounts if her health became compromised. By using a reverse mortgage, she was able to access the equity without having to make any payments and this provided her with over three times as much long-term care coverage compared to the equity in the home alone. If she does not use the long-term care policy her estate will receive the cash surrender value of the policy. This plan provides her with a meaningful amount of coverage without changing her retirement income or lifestyle.

EXAMPLE Lifetime Benefits for Two

Asset-based **Funded with Savings**

Husband 66 and Wife 63, make a single deposit of $365,928 into their plan which provides them each with a lifetime benefit of $12,000 per month. There is a second to die death benefit of $400,000 and the plan will increase in cash surrender value each year they keep the policy in force. This plan also provides each of them with up to $24,000 for medical equipment and caregiver training.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$12,000	$12,000	$12,000
Tax-Free Death Benefit (Return of Premium)	$400,000	$400,000	$400,000

Note: This couple was worried about cognitive issues as Alzheimer's runs on both sides of the family. This plan will provide each of them with an unlimited amount of long-term care protection should they need it. The death benefit is paid minus any long-term care benefits paid so they are guaranteed to get a benefit from this plan even if they only require a short amount of care or no care at all.

EXAMPLE Funded with Retirement Account

Asset-based **Funded with Retirement Account**

Husband 70 and Wife 63, Rolled a single lump sum of $336,000 out of the husband's IRA. This provides both the husband and wife with a lifetime long-term care benefit of $8,139 per month per person. The plan also includes a guaranteed return of premium of $407,000 meaning they will get at least that much back in long-term care benefits or tax-free death benefits. However, once on claim, they will never run out of long-term care benefits. The IRA funds will be taxed over 10 years and the insurance company will issue a 1099R each year.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$8,139	$8,139	$8,139
Tax-Free Death Benefit (Return of Premium)	$406,944	$406,944	$406,944

Note: This is one of our most popular plans as the distribution is spread out over 10 years and counts towards the Required Minimum Distributions that the husband will have to take out of his retirement account. The insurance company gives a bonus upfront so the deposit they make actually buys over $400,000 of insurance.

EXAMPLE Cash Benefits with Inflation Growth

Asset-based **Funded with Savings**

Male 54, makes a single deposit of $154,626 into his plan that provides an immediate death benefit of $190,423 and an immediate long-term care benefit of $615,867 that he can use at a starting rate of $7,934 per month. The total benefit and monthly benefit will compound by 3% each year until he is on claim.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$803,567	$1,079,926	$1,451,331
Monthly Cash Benefit	$10,352	$13,913	$18,698
Tax-Free Death Benefit (Return of Premium)	$190,423	$190,423	$190,423

Note: By age 71 this client will have over a million dollars of tax-free long-term care protection. The plan offers a full return of premium after ten years and a death benefit all years of $190,423 which means if he uses less then this amount, his estate will get the difference. However, if he uses his entire long-term care benefit, his estate still gets the guaranteed minimum death benefit of $38,085. This is a cash benefit when he is on claim and can be used for informal care. **Guaranteed death benefit even if all long-term care benefits used: $38,085**

EXAMPLE Savings Based Plan

Asset-based **Funded with Savings**

Female 57, deposits a single premium from an existing CD in the amount of $87,652 into her plan. This provides her with an immediate long-term care benefit of $269,269 which can be accessed at a daily rate of $123 per day for six years. Over time, her cash value and long-term care balance will grow increasing her coverage.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$331,867	$418,627	$528,069
Daily Benefit	$152	$191	$241
Cash Surrender Value	$110,622	$139,542	$176,023

Note: This is a great example of how a person can put an existing asset to work to get leverage and tax-free benefits. As long as the client leaves her money in the plan, the value of the plan will increase and she will pay no tax on the annual cash value gain like she did on her CD. If she needs long-term care in the future, she will have three dollars for every dollar of cash value she has in the plan. She can surrender the plan at any time for the cash value or take out a partial withdrawal. Not only is the cash value growing faster than her current CD, the growth is tax deferred and the benefits for long-term care come out tax-free. This is another example of why self-insuring is obsolete.

EXAMPLE 10 Guaranteed Level Payments

Asset-based **Funded with Savings**

Husband and Wife both 65, Make 10 guaranteed level payments of $33,506 into their plan that provides each of them with a lifetime long-term care benefit of $7,500 a month. This plan also has a guaranteed return of premium structured as a second to die death benefit of $375,000 so they are guaranteed to get more back than they put into the plan. If used for long-term care, they can each pull out $90,000 a year tax-free for as long as they need it.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$7,500	$7,500	$7,500
Tax-Free Death Benefit (Return of Premium)	$375,000	$375,000	$375,000

Note: Because this is funded over ten annual payments, the plan has a waiver of premium built in which means they won't have to make the annual payment if either of them is on claim. The benefits start day one of the policy so they do not have to fully fund the plan to receive the death benefit or the long-term care benefits. This plan also pays $15,000 for home improvement and medical equipment and $15,000 for care giver training.

EXAMPLE 5 Pay Unlimited Benefits

Asset-based **Funded with Savings**

Husband 70 and Wife 65, Will make 5 annual payments of $95,225 that provides each of them with $120,000 a year ($10,000/month) for an unlimited amount of time. The plan also has a $500,000 return of premium structured as a second to die death benefit so they are guaranteed to get more money back than they put into the plan regardless of the outcome. If either one of them go on claim within five years, the remaining payments will be waived.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$10,000	$10,000	$10,000
Tax-Free Death Benefit (Return of Premium)	$500,000	$500,000	$500,000

Note: Because this is a lifetime benefit, they can now feel more comfortable doing estate planning because they know they have a guaranteed, tax-free annual income stream of $120,000 per person for as long as they need it. If they are both on claim, they can pull out $240,000 a year for as long as they need it. It takes the guessing out of how much money they need to set aside to cover an extended health care event and they will get more money back than they put into the plan even if they don't use it.

EXAMPLE 10 Pay with Unlimited Benefits

Asset-based **Funded with Savings**

Male 62 will make 10 guaranteed level payments of $34,868 into his plan that will provide him an unlimited lifetime benefit of $15,000 a month or $180,000 annually. The plan also has a guaranteed return of premium of $375,000 structured as tax-free death benefit. He is guaranteed to get more back than he puts into his plan. If he goes on claim before all payments are made, the remaining payments will be waived. Death benefit protection starts day one.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit	$15,000	$15,000	$15,000
Tax-Free Death Benefit (Return of Premium)	$375,000	$375,000	$375,000

Note: This client has a substantial estate and was looking to set up a guaranteed payment source should he need long-term care. His goal is to efficiently pass on his estate to his family and this plan gave him more flexibility as he did not have to guess on how much money he needed to set aside. It also provides him with a lifetime concierge service that includes case managers, claims specialist and resources for him and his family.

EXAMPLE Single Deposit and 9 Pay with Compound Inflation

Asset-based **Funded with Savings and Income**

Female 54, Will make 9 annual payments of $9,995 along with a onetime deposit of $43,000 upfront. This will provide her with an initial benefit of $388,105 which she can use at a starting monthly benefit of $5,000. Her total benefit and monthly benefit will grow by 3% each year until she is on claim and will pay the full monthly benefit for a minimum of 6 years.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$506,389	$680,545	$914,596
Monthly Cash Benefit	$6,524	$8,768	$11,783
Tax-Free Death Benefit (Return of Premium)	$142,550	$142,550	$142,550

Note: By putting in a lump sum upfront, she lowered her annual payments. The death benefit on the plan will increase to $142,550 when she has paid the plan in full. She also has a full return of premium available after she makes all her payments so she is guaranteed to get all her money back even if she cancels. This is a cash benefit which will allow her to pay for informal care and it will pay her estate a guaranteed minimum death benefit of $24,000 even if she uses all her long-term care.

EXAMPLE Paid up at age 65

Asset-based **Funded with Savings**

Female 47, will make 18 guaranteed level annual payments of $8,655 into her plan. It provides her a starting monthly benefit of $6,000 with an initial total benefit of $301,222. Her plan will grow by 3% each year until she is on claim and it has a death benefit of $144,000 starting day one.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$393,026	$528,194	$709,849
Monthly Cash Benefit	$7,829	$10,521	$14,139
Tax-Free Death Benefit (Return of Premium)	$144,000	$144,000	$144,000

Note: She wanted an asset-based plan that she could pay into while she was working but not have payments in retirement. This plan will be fully paid up at age 65 and continue to grow in value. This is a cash benefit plan that allows her to pay for informal care or formal care when she is on claim. **Guaranteed death benefit even if all long-term care benefits used: $28,800**

THINGS YOU NEED TO KNOW

Benefits for long-term care are paid out on either a reimbursement basis or an indemnity basis. Reimbursement pays you back for actual qualifying care costs up to your daily or monthly limit. Indemnity or cash benefits simply provide you with a monthly benefit in cash up to your policy limit which allows you to spend the money as you see fit.

EXAMPLE

Traditional Plan **Funded with Income**

Husband 60 and wife 61, set up a traditional State Partnership Plan with a combined monthly payment of $327.47. This provides them with an initial long-term care benefit of $135,000 each that they can access up to $4,500 per month. The policy will increase 3% each year for the first 20 years.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$181,429	$243,826	$243,826
Monthly Benefit Per Person	$6,048	$8,127	$8,127

Note: This is a typical pay as you go traditional plan that grows over time with each payment. The benefits will come back to the client tax-free and the clients can use some of their partner's policy as it has a shared care option. The total benefit amount and monthly benefit is per person as each person has their own policy. There is **an option to receive a percentage of the monthly benefit in cash which can be used for other costs associated with long-term care expenses.** Any unspent money remains in their bucket for future use. It is a **qualified** State Partnership plan, **giving** the clients extra protection from Medicaid spend-down rules.

EXAMPLE 10 Pay

Traditional Plan **Funded with Income**

Husband 54 and Wife 53, set up a traditional plan that will be fully paid after 10 annual payments of $14,850. This plan provides each of them with an initial benefit of $219,000 that can be accessed at a rate of $200 per day. This plan also includes a 3% compound inflation rider which means the total benefit and daily benefit will grow each year providing them additional coverage.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$294,314	$395,535	$531,567
Daily Benefit Per Person	$268.78	$361.22	$485.45

Note: The goal of this design was to have a fully paid up plan in place when they retired. We accomplished this by using a limited pay option which requires annual payment for only 10 years. At the end of the 10 years, the clients then have a fully paid up plan without any premiums due. In 30 years when they are most likely to need long-term care, they will have over a million dollars of tax-free protection for a total investment of **$148,500.**

EXAMPLE

Traditional Plan Funded with Income

Husband 58 and Wife 57 set up a State Partnership Program for an annual payment of $6,596.77. The initial long-term care benefit is $250,000 which they can each access at $4,500 per month. The total benefit and monthly benefit will grow by 3% each year. The clients can each access the plan as it is a shared care policy. Clients also have the option to choose 25% of the monthly benefit as a cash option (indemnity).

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$335,980	$451,530	$606,818
Monthly Benefit Per Person	$6,048	$8,127	$10,922
Monthly Cash Benefit	$1,512	$2,032	$2,751

Note: This is a more flexible plan than most traditional plans as it has a cash option. This comes in handy as most long-term care situations start in the home and may not require the full monthly benefit that is available. Since traditional plans reimburse you for actual costs, by having a cash option the clients don't have to wait to get reimbursed and they can spend the money as they see fit. Regardless of how they choose to draw out the money, the policy will pay out the entire long-term care balance.

LIMITED PAY LONG-TERM CARE PLANS

Limited pay refers to the total number of payments required to fully fund your long-term care insurance plan and eliminates ongoing premium payments. A 10-pay plan will be fully paid up and require no more premium payments once the 10th payment is made. If you choose an inflation rider, your plan will continue to grow even when you are through making payments. Traditional plans offer 10-pay options and Asset-based plans offer a variety of options that can be fully funded between 5 and 20 payments.

EXAMPLE

Traditional Plan **Funded with** Income

Female 48, in excellent health, sets up a state partnership long-term care plan with annual payments of $4,055.65 which provides her with an initial benefit of $292,000. She can access this amount over a minimum of 4 years. This plan will grow by 3% each year which will also increase the amount she can access.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$392,423	$526,909	$708,761
Daily Benefit Per Person	$269	$361	$485

Note: Since this is a state partnership program, the client will be able to protect an amount of assets equal to what was paid out on her behalf and still qualify for Medicaid. This gives her an extra level of protection from a prolonged long-term care situation such as a cognitive issue. Once the client is on claim, all premiums will stop.

THINGS YOU NEED TO KNOW

Most traditional based plans allow payment flexibility. Annual payments or monthly payments are available as well as quarterly or semiannual on some plans. Premiums are treated as health insurance and can be deducted by a business or paid out of a Health Savings Account (HSA).

EXAMPLE

Traditional Plan **Funded with Income**

Female 64, sets up a traditional State Partnership Plan with a monthly payment of $393.35. This provides her with an initial long-term care benefit of $150,000 that she can access up to $6,000 per month. The policy will increase 3% each year for the first twenty years.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	$201,600	$270,925	$270,925
Monthly Benefit Per Person	$8,064	$10,837	$10,837
Monthly Cash Benefit	$2,016	$2,708	$3,639

Note: This policy provides the client with a meaningful amount of coverage but will also allow her to protect assets and still qualify for Medicaid should she end up in an extended long-term care situation. This plan fit financially for this client and has flexible options for drawing out the money, including an indemnity option.

EXAMPLE

Traditional Plan **Funded with Income**

Husband 62 and Wife 59, set up a plan with an annual payment of $10,870 that will provide each of them a lifetime benefit of long-term care with a starting monthly benefit of $4,500 each. This plan has a 3% compound inflation rider so the monthly benefit will grow each year.

	Year 10	Year 20	Year 30
Total Long-Term Care Benefit	Unlimited	Unlimited	Unlimited
Monthly Benefit Per Person	$6,249	$8,398	$11,287

Note: Lifetime benefits are the best hedge against a prolonged long-term care situation as it means once on claim, the insured will continue to receive their benefit for as long as they need it. This is will eliminate the worry of outliving their coverage. This is not a shared care benefit so each person gets to draw up to the monthly amount without any effect on the other person's policy. This is one of our favorite traditional plans.

GLOSSARY OF TERMS

Activities of Daily Living

Personal care activities that include bathing, dressing, eating, transferring, toileting, and continence.

Acute Care

Critical care provided by a doctor designed to treat or cure an illness, wound, or condition. This care is usually received in a hospital or acute rehabilitation center. Long-term care is not acute care.

Adult Day Care

A program that provides care during the day for individuals in need of long-term care.

Alzheimer's Disease

An ongoing neurological disease that affects brain functions and includes short-term memory loss, inability to reason, the deterioration of language, and the inability to care for oneself.

Asset-based Long-Term Care

A long-term care plan that will pay your estate back if you don't use it for care.

Assisted Living Facility

A residential facility that provides room, board, and 24-hour personal care to individuals with long-term care needs. It is a care option for individuals who are not able to manage at home, but do not need the level of skilled care provided in a nursing home.

Benefit Amount (Daily/Monthly)

Your Benefit Amount represents the maximum amount of money per day or per month, as chosen by you, that your policy will provide to cover your long-term care needs.

Benefit Period

The minimum period of time you can expect your coverage to last. Coverage can last longer if insured is not using the full monthly or daily benefit.

Benefit Triggers (Triggers)

Insurance companies use benefit triggers as criteria to determine when you are eligible to receive benefits. The benefit triggers for long-term care insurance are:

A. Needing help with two or more Activities of Daily Living

B. Diagnosis of Cognitive Impairment, such as Alzheimer's

Case Manager/Care Coordinator

Specialists that will oversee and manage your care in a time of need so your loved ones don't have to.

Cash Benefit See Indemnity

Cash Surrender Value

The sum of money an insurance company will pay to the policyholder in the event they decide to cancel their policy.

Chronically Ill

A patient has been certified by a licensed health care practitioner as: being unable to perform, without substantial assistance from another person, at least two ADLs for a period that is expected to last at least 90 consecutive days due to a loss of functional capacity; or requiring substantial supervision to protect themselves from threats to health and safety due to a severe cognitive impairment.

Cognitive Impairment

A deterioration or loss in intellectual capacity that results in impairment in some or all of the following: short and long-term memory, orientation to people, place, and time, deductive or abstract reasoning (including judgment).

Conditional Receipt

Under a conditional receipt, the applicant and the insurance company form a "conditional" contract that is contingent upon the conditions that existed when an application or medication exam is completed. It provides that the applicant is covered or partially covered immediately so long as they pass the insurer's underwriting requirements.

Continuation of Benefits

An optional feature to Asset-based plans that allows the insured to add on additional months of coverage up to a lifetime benefit.

Custodial care

Nonmedical assistance with the activities of daily life.

Daily Benefit

The maximum amount your long-term care insurance will pay for care in a single day.

Date of Service

A day that you are eligible for benefits under your policy, including Dates of Service during the Elimination period.

Death Benefit

The tax-free amount payable by a life insurance policy in the event of the death of the insured.

Elimination Period

Also known as a waiting period. This is the number of days after the insured qualifies for and begins receiving services before the policy begins to pay benefits. Policies determine the waiting period using "Days of Care" Or "Calendar Days".

Facility Only Policy

Policy where benefits are only covered if the policyholder is receiving care in a licensed Long-term Care facility, such as a Nursing Home or Assisted Living Facility.

Free Look Period

A provision which allows the insured to cancel the policy for a full refund within 30 days of receiving the policy.

Guaranteed Level Premium

Premium is guaranteed to stay the same for a given period of years or the life of the policy.

Guaranteed Renewable

Guaranteed Renewable means that the insurance company cannot cancel a policy or change any of the benefits, unless a policyholder fails to pay the premiums. Insurance companies are only allowed to increase premiums for a "class" of policies, but not for an individual personally for any reason including a change in health or age.

Home Care

Skilled and unskilled long-term care services provided in the home.

Homemaker Services

These are "hands-off" services that provide assistance with the personal chores or activities that are necessary to live at home. They would typically include housekeeping, cooking and running errands.

Hospice Care

Designed to give supportive and palliative care to people in the final phase of a terminal illness. Hospice care can be provided at home or in a hospice facility and encompasses physical, emotional and spiritual support for the patient and their family.

Hybrid Long-Term Care Insurance

A long-term care policy that is designed with additional benefits and functionality to the policy. Also known as Linked Benefit plans.

Indemnity (Cash Benefit)

Policies pay a monthly cash benefit once the policy holder is on claim regardless of the level of care provided. Few long-term care insurance companies still offer this option.

Inflation Protection

A rider you can add on to your long-term care insurance plan that adjusts the benefits over time to account for inflation. Inflation protection riders can adjust benefits annually based on a simple or compound fixed rate (e.g. 3% or 5%).

Informal Care

Care provided by family and friends of a loved one. While unlicensed and generally unpaid, informal care makes up the majority of in-home care and has been termed the "back-bone" of our national long-term care system.

Joint Policy

Both spouses are on one policy, meaning usually either spouse can use the benefits or both can draw from the plan until benefits are gone.

Lapse Protection

Policyholders can pay past-due premiums and reinstate their policies up to 5 months after they have lapsed if the failure to pay was the result of cognitive or functional impairment.

Lifetime Maximum Benefit

The maximum amount an insurance carrier will pay over the life of a policy. If a policy pays $200 a day or $6,000 a month for 3 years, the policy's benefit maximum will equal $216,000. ($200/day x 30 days =$6000/month x 12 months = $72,000/year x 3 = $216,000 total benefit)

Limited Pay

You pay a set premium for a certain number of years, after which the policy is fully paid up and no further premiums are required. The pay periods can range from 5-20 yearly payments.

Linked Benefit

Also known as Hybrid plans or Asset-based plans, linked benefit plans are long-term care policies linked with an added benefit such as a death benefit and cash value growth.

Look-Back Period For Medicaid

In order to qualify for long-term care benefits under Medicaid many people "give away" money to children or transfer assets to a trust. Medicaid will "look-back" to any asset transfers you have made in the 5 years before applying for Medicaid benefits. Any transfers made during this period can be counted as part of your assets for the purposes of determining Medicaid eligibility and can result in an "exclusionary" period before eligibility can be restored.

Lump Sum Premium

A one-time payment made to fund a policy in lieu of recurring payments.

Medicaid

A federal-state program that pays for health care services for individuals with low income and limited resources.

Medicare

A federal health care program for adults 65 and older and certain disabled individuals. Medicare is for acute care and does not cover long-term care costs.

Monthly Benefit

The maximum amount your long-term care insurance will pay for care in an entire month.

Non-Qualified Funds

"After Tax Money" You have paid income taxes on the money. Usually Savings, CDs, Annuities and Stocks. You will need to pay taxes on the interest you earn in non qualified accounts.

NonForfeiture Benefits

This is an optional rider on long-term care insurance policies that allows the policyholder to retain some limited policy benefit (usually equal to the amount of premiums paid-in) if you lapse your policy.

Partnership Plan

A long-term care insurance policy approved by your state for participation in the partnership program. This program allows you to receive benefits from Medicaid for Long-Term Care services without spending-down all of your assets if you have previously purchased and depleted the benefits in a partnership-certified policy.

Pension Protection Act of 2006 (PPA)

Encourages the purchase of long-term care insurance by allowing policyholders to take tax-free distributions from their life and annuity policies to pay their long-term care insurance premiums (Section 844).

Plan Of Care

A documented, individualized plan of long-term care services prepared by a Licensed Health Care Practitioner (LHCP). Typically a Plan of Care would include the types and frequency of care needed and whether the care is to be provided by family care-givers or through formal paid care providers. If formal care is required, the care plan should include a list of potential providers including whatever community services are available in the area.

Pre-Existing Conditions

Medical conditions that existed, were diagnosed, or were under treatment before the policy was issued. If the application is approved by underwriting, most long-term care insurance policies will cover pre-existing conditions as long as they were revealed at the time of application.

Qualified Funds

"Before Tax Money" This means you did not pay taxes on this money when you invested it. While invested, this money will grow tax-deferred. No taxes will be owed on gains within the account each year and therefore you will not get a 1099 form each year. Once you reach 70½ , the IRS requires you to begin taking required minimum distributions (RMDs) annually from your qualified account which will require taxes to be paid at the time of withdrawal.

Reimbursement

Money is paid to the policyholder to reimburse for the costs they incurred for long-term care services.

Respite Care

Respite care refers to temporary or short-term care provided to the patient so that the primary informal care-giver can take a break or rest. Respite care can be provided at home or in a facility and allows the primary care-giver temporary relief from care-giving.

Restoration of Benefits

Most long-term care insurance policies have this either built in to the policy or as an optional rider that allows the policyholder to restore their benefit amount to the original value if they recover from an illness or injury after receiving benefits. The percentage of benefit that can be restored may vary.

Shared Care

Each spouse has their own separate policy. Yet, if one spouse goes through their entire policy or lifetime maximum benefit, they can then access their spouse's policy to cover continued long-term care costs.

Shortened Benefit

This an optional rider on some long-term care insurance policies that guarantees your benefit for a specific amount of time based on how much you paid into the policy.

Skilled Nursing Facility/Nursing Home

The highest intensity level of long-term care. A skilled nursing facility is defined as a health facility or a distinct part of a hospital that provides 24 hour a day nursing care on an inpatient basis. Skilled nursing facilities will have a registered nurse or LPN on duty at all times and a licensed physician on call at all times.

Step-Down

A policy feature which allows a policyholder to reduce coverage in exchange for a lower premium. For instance, a policyholder can reduce the Daily Benefit, or the total number of years the policy will pay or increase the elimination period. A policyholder has the right to step down policy benefits anytime after the first year and should always be considered before lapsing coverage.

Survivorship

Refers to the life insurance portion of an Asset-based long-term care policy. Meaning, if one spouse passes away, the other will not receive the death benefit but may keep the policy in force. The death benefit will then be paid upon the death of the last surviving spouse.

Tax Qualified

In 1996, Congress passed the Health Insurance Portability and Accountability Act (HIPAA). Under this bill, there are federal tax advantages for LTC policies that are designated "tax-qualified" (TQ. For example, on a tax-qualified policy you may be able to deduct part of the policy premium from your taxes as a medical expense if you qualify for a medical expense deduction. Insurance benefits from a Tax Qualified policy, in general, are not taxable as income. To be defined as "tax-qualified" the long-term care policy must meet the provisions of the federal guidelines defined in HIPAA. Policies purchased on or after January 1, 1997 may or may not be tax-qualified. All Long-term Care insurance policies purchased before January 1, 1997 are "grandfathered in" and are considered qualified for tax-favored status.

Underwriting

The process whereby the insurance carrier reviews an individual's health status prior to issuance of a policy in order to determine if they are eligible for coverage.

Waiver Of Premium

A common provision in long-term care insurance policies that waives the requirement to pay premiums while the insured is receiving claim benefits.

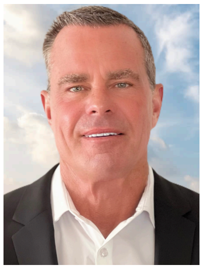
OUR STORY

Doing what we love while helping others is a pretty special honor for us. We tell people every day how passionate we are about helping our clients with long-term care planning, and there is a reason for this. I'd like to share why I do what I do everyday and how my life led me to help others with long-term care planning.

Stephen Becker, CLTC®

Owner and Certified Long-Term Care Planning Specialist CA# 0820606

CONTACT STEPHEN DIRECTLY stephen@123longtermcare.com • (949) 553-9199



I have been in Wealth Management and Insurance Solutions for better than 25 years **and if I'm being perfectly** honest, long-term care planning, (LTC) just wasn't a big part of our practice. I would always have that conversation in client meetings, discuss the consequences of an extended healthcare situation. I would write a few plans here and there, but I just wasn't passionate. Well, that all changed when my mother entered her LTC situation, (which went on for six years) I started to personally see the effects to our family. Having to place your life on hold to care for a loved one day-in-day-out, 24/7 it's very physical, emotional, financial and it comes with a great deal of stress. So having scene those effects personally, and with other families, I've seen both sides of the spectrum, people that have planned and the people who have not planned and the vastly different outcomes. That's why I'm a huge proponent of education and very passionate about bringing awareness and having people understand the often irreversible and unintended consequences to themselves and to their family when dealing with an extended healthcare situation. When it comes to "comprehensive retirement planning" no retirement plan is complete without a plan in place to cover that risk for an extended healthcare situation. This area of planning is the most important and the most overlooked with people, and more sadly with most professional, CPA's, Financial Advisors, Estate and other attorneys. They make it all about the money, and dismiss the human emotions, In addition, most of these professional lack the proper training to understand the vast solutions and options that are available. LTC plans are not stagnant, plans and options change with all carriers. That said, my days are spent educating and guiding professionals and their clients on comprehensive LTC planning.

I am passionate about helping others because long-term care planning protects the people you care about most and lets them go on with their lives while you get the care you deserve.

HOW DO YOU WANT TO BE REMEMBERED-YOUR LEGACY? (NOT REFERRING TO YOUR ASSETS) DO YOU WANT THE LAST YEARS TO BE THE WORST YEARS FOR YOU AND YOUR FAMILY OR DO YOU WANT THEM TO BE THE BEST YEARS FOR YOU AND YOUR FAMILY? PLANNING OR LACK OF PLANNING WILL DETERMINE THOSE LAST YEARS OF MEMORIES!

ABOUT 123 ADVISORS

We believe in protecting our clients and their families with **guarantees**...not "**maybes**". We do this by working with the most innovative and highest-quality long-term care plans available in the market today.

Our goal is to design a plan that provides care when you need it, protects the people you care about most, and will pay you back if you never use it for long-term care. Proper planning will keep you in control of both your care options and your money in the event of an extended care situation.

What's in a Name?

123 ADVISORS

1) We lead with education and make sure you understand your options

2) We help guide you to a custom plan that best serves you and your family

3) We help guide you through the application process and get you approved

Long-Term Care insurance provides a Tax-Free stream of income to pay for care when you need it. Many people will spend through their retirement or other savings and pay unnecessary taxes along the way. Instead, long-term care planning is the key to protecting your assets and preventing you from paying unnecessary taxes.

Work with a Certified Long-term Care Specialist

Traditionally, long-term care insurance has been sold or presented to people as an add-on product by insurance company agents or through marketing agreements with financial advisors. Our experience has taught us that many advisors are still unaware of the recent changes and the new programs as they don't focus on long-term care.

Therefore, many lack the skills necessary to design and place a client with the best program from the best company.

A long-term care ***specialist*** will be able to answer questions that you did not even know to ask.

- They will have a clear understanding of how federal programs like Medicare and Medicaid work and how you can minimize your tax liability and protect your investments
- They will be able to show you options from all the companies and help you narrow your choice.

We are proud to have earned the Certified in Long-term Care (CLTC®) designation and pride ourselves on offering our clients a truly independent choice for long-term care planning.

YOUR PRE-SCREEN FORM

Long-Term Care Pre-Screening Form

123 ADVISORS LONG TERM CARE

PERSONAL INFORMATION

Full Name			
Email			
Phone			Best time to call:
Address			
DOB		Height & Weight	
Smoker?		If yes, please put date last used and how often.	
Have you completed a routine physical exam with blood work in the past 24 months?			
Spouse/Partner Name			
Email			
Phone			Best time to call:
Address			
DOB		Height & Weight	
Smoker?		If yes, please put date last used and how often.	
Have you completed a routine physical exam with blood work in the past 24 months?			

FINANCIAL INFORMATION Please check all that apply.

- ☐ I am retired.
- ☐ I plan to age in my own house.
- ☐ I own rental properties.
- ☐ I have annuities.
- ☐ I have other investments (mutual funds, stocks, etc.)
- ☐ My spouse is retired.
- ☐ I have a handicap plaque.
- ☐ I have savings/CD's.
- ☐ I have term life insurance.
- ☐ I have children.
- ☐ I have equity in my/our home.
- ☐ I have retirement accounts (IRA, 401K, etc.)
- ☐ I have whole life insurance.

MEDICAL INFORMATION

Please list current medications prescribed to you by your doctor: (Do not include supplements/vitamins)

Your Medications/Reason for Taking	Spouse Medications/Reason for Taking

What have you been to the doctor for in the past 3 years? (Check-ups, tests, procedures, etc.)

Any planned surgeries/procedures? (knee, hip, joint replacement, pacemaker, cardiac, stents, etc.)

Have you been prescribed medications in the last 4 years that you are not currently taking?

Have you been turned down for Long-term care insurance in the past? ☐ Yes ☐ No

Other concerns or information you want us to know:

PLEASE NOTE *This form is also available electronically on our website at* ***www.123longtermcare.com***

Tips on putting a long-term care plan in place.

Long-term care insurance is essentially a pool of money that will come back to you tax-free to pay for care costs. You decide upfront how much protection you want and how long you want it to last. This will determine how much the policy costs along with other factors such as age and health.

Benefits are expressed as a daily or monthly amount for a number of years.

$200/day (or $6000/month) for 3 years = Equals an existing pool of $216,000

You would then decide on other factors such as **elimination period**[1] and **inflation protection**[2] which would also play a role in calculating the premium.

You can also choose between Traditional and Asset-based plans.

TRADITIONAL PLANS require a monthly or annual premium until you are on claim. Premiums are considered medical insurance and are tax-deductible, can also be paid with a Health Savings Account (HSA). Traditional plans can qualify for the State Partnership Program (additional protection from Medicaid spend-down rules).

ASSET-BASED PLANS can be funded with a single lump sum of money, annual payments or a combination. Any premiums are guaranteed level and client will get money back even if they never end up in a long-term care situation. Plans can be funded with retirement accounts or other savings. These plans are generally used for individuals or couples who can reposition a part of their assets to leverage for long-term care coverage.

1. Waiting period before benefits are paid once on claim
2. Allows the policy and benefit amount to grow over time

THINGS WE NEED TO KNOW TO PUT A QUOTE TOGETHER:

- List of medication taken and condition taken for/any recent or upcoming procedures
- How much protection do you want
- How do you want to pay (payments, lump sum or combination)
- Amount of assets and income you have available to pay for policy

Know Your Options

123 Advisors is an **independent** long-term care specialist. This means you will able to compare top rated companies and find the one that works best for **your** situation.

Bankers Life	Brighthouse Financial
Forethought – A Global Atlantic Company	Genworth
Guaranty Income Life Insurance Company	Lincoln Financial Group
MassMutual Financial Group	Minnesota Life – Securian
Mutual of Omaha	Nationwide is on your side
National Guardian Life Insurance Company	OneAmerica
Thrivent Financial	Transamerica

Pacific Life	GTL Guarantee Trust Life	Guardian

Nearly 3 out of 4 adults over the age of 65 will require some form of long-term care, but far too many people are missing out on the insurance that's needed to pay for it.

You and your loved ones deserve to feel confident about your future, and that confidence comes from knowing your care will be funded and managed when you need it through a tax-free stream of income.

But long-term care insurance is about far more than money. It also protects the people you care about from the financial, physical, and emotional consequences that go hand in hand with an extended care situation. When a loved one needs ongoing help from others, it brings with it challenges that many people don't think about.

- Family dynamics change when one child gives up their life to become a caregiver while the other children are less involved.
- Estate and legacy planning is often undone by an extended care situation as assets have to be liquidated to pay for ongoing care.

Those are just a few of the painful situations we have seen. Having a plan in place benefits your loved ones in ways that are not always obvious at first glance.

Too many people are missing out because of misunderstandings about how long-term care works. Our goal with this book is to help you understand what long-term care is and the options that are available to you.

You can plan today to protect the people you care about tomorrow, and we'll be here to guide you every step of the way.

Long-term care planning protects you and the people you care about most from the financial, physical and emotional consequences of an extended health care situation.