Long Term Care Insurance for Individual Taxpayers

Long term care insurance (LTCI) helps you pay the cost of covered home health care or of a dedicated long term care facility. That, in turn, may reduce the likelihood of your having to spend down your savings or sell other assets to meet the expenses. Several tax incentives are available today to help you purchase long term care insurance.

Tax Treatment of Premiums Paid by Individuals

If you aren't self-employed and you itemize your deductions, you may be able to take a federal income tax deduction for premiums paid for traditional LTCI you purchase on yourself, your spouse and any eligible dependents[1] under the rules for unreimbursed medical expenses.[2]

You may take a deduction only to the extent that your eligible premiums, plus all other medical expenses not paid by insurance, exceed 10% of your adjusted gross income (AGI). Exception: The deduction threshold is 7.5% of AGI for any year between 2013 to 2016 that you are 65 or older.[3]

Eligible premiums are the lesser of the age-based premium limits (shown below) and your actual premiums.

Age at End of Taxable Year	2013 Age-Based Limits	2014 Age-Based Limits[4]
40 or less	$360	$370
41 through 50	$680	$700
51 through 60	$1,360	$1,400
61 through 70	$3,640	$3,720
71 and older	$4,550	$4,660

State Income Tax Treatment of LTCI Premiums

New York offers an income tax credit for LTCI premiums paid by state taxpayers. Speak with your tax advisor about the availability of any state LTCI tax incentives.

Did You Know?

The annual median cost of a private nursing home room has increased from $65,700 in 2007 to $83,950 in 2013 (Genworth 2013 Cost of Care Survey).

To learn more, visit: genworth.com/costofcare

Long Term Care Insurance Underwritten by
Genworth Life Insurance Company of New York,
Administrative Office: Richmond, VA

129098NY 12/27/13

Genworth

Paying LTCI Premiums through a Health Savings Account (HSA)

In general, you may create an HSA if you:

- Are under age 65
- Are covered by a high-deductible health care plan
- Are not covered by a non-high-deductible health care plan, and
- Do not receive benefits that duplicate your benefits from your spouse's health care plan.

If you qualify to set up an HSA, you may make annual pre-tax contributions to the HSA in 2014 of up to $3,300 for an individual and $6,550 for a family. Contributions grow tax deferred, and you may withdraw them tax free to pay for qualified medical expenses. Qualified medical expenses include eligible LTCI premiums – the lesser of actual premiums paid or the age-based limits.

Paying LTCI with Tax-Free Exchanges

You may be able to transfer some of the cash value in your non-qualified annuity contracts to pay the premiums on your LTCI policy on a tax-free basis.[5] For this to qualify as a tax-free exchange, the insurance carrier holding your annuity has to transfer the money directly to Genworth Life Insurance Company of New York to pay for your LTCI policy. This can be especially beneficial if you have substantial gains in your annuity contract. Not all insurance carriers participate in these exchanges, and others set significant limitations, so check with your carrier before proceeding.

Tax Treatment of Benefits Paid

Benefits paid under tax-qualified LTCI are treated as reimbursements for medical care and are excluded from federal income taxation.[6] There is no limit on this exclusion for policies that reimburse you for actual long term care expenses incurred. (Genworth Life of New York LTCI works this way.)

Some insurance companies offer policies that pay a per diem amount for long term care expenses. Benefits paid as per diem that do not exceed a daily per diem limit are federal income tax–free. For 2014, this limit is $330.[7]

Federal Gift Tax Treatment

You can pay the premiums on your spouse's LTCI policy without ever incurring any gift taxes. If you pay LTCI premiums directly to the insurance company for someone other than your spouse, premiums paid up to the eligible age-based limits are treated as medical expenses and are also exempt from gift taxation. However, if the premiums you pay for someone other than yourself or your spouse exceed the eligible age-based limit, the excess is considered a gift. As long as the amount you pay, along with any other gifts you make to the same individual in the same tax year, doesn't exceed the annual gift exclusion amount ($14,000 in 2014), you will not have to file a gift tax return or pay any gift taxes.

[1] An eligible dependent is someone who depends on the taxpayer for at least half their annual support (IRC §152).

[2] IRC §213(d).

[3] IRC §213(a).

[4] IRC §213(d)(10)(A); Rev. Proc. 2013-35.

[5] IRC §1035, as amended by the Pension Protection Act of 2006.

[6] IRC §105(b).

[7] IRC §7702B(d); Rev. Proc. 2013-35.

Disclaimer: The Genworth companies wrote this content to help you understand the ideas discussed. Any examples are hypothetical and are used only to help you understand the ideas. They may not reflect your particular circumstances. You should carefully read your contract, policy or certificate, when applicable. What we say about legal or tax matters is our understanding of current law, but we are not offering legal or tax advice.

Tax laws and IRS administrative positions may change. We did not write this material for use by any taxpayer to avoid any Internal Revenue Service penalty. You should ask your independent tax and legal advisers for advice based on your particular circumstances. If this material states or implies that it was prepared or distributed to promote, market or recommend an investment plan or arrangement within the meaning of IRS guidance, or such use may be reasonably expected, then, as required by the IRS, the following also applies:

The tax information in this material was written to support the promotion or marketing of the transaction(s) or matter(s) addressed in this material.

In New York, Tax Qualified Long Term Care Insurance offered by Genworth Life of New York is considered to be Nursing Home and Home Care Insurance.

<table>
<tr><td>Insurance and annuity products:</td><td>Are not deposits.</td><td>Are not guaranteed by a bank or its affiliates.</td></tr>
<tr><td>May decrease in value.</td><td colspan="2">Are not insured by the FDIC or any other federal government agency.</td></tr>
</table>