LTCI PARTNERS, LLC **SPECIAL REPORT**

CASE STUDIES IN LTC PLANNING

WHAT ADVISORS AND THEIR CLIENTS ARE DOING TODAY

a special report by LTCI Partners, LLC

FUNDING AN LTC PLAN - WHICH APPROACH MAKES SENSE?

Having choices in long-term care planning is a great thing. With the development of alternatives to standalone LTC insurance, there are more ways today to solve the long-term care funding problem. However, the process of comparing planning and product approaches for both consumers and advisors can be a daunting task, and seeking perfection in an insurance product often leads to paralysis by analysis. In order to take action, confident advice from an advisor is critical.

If your client:	Consider the following:	Here's why:
Is a business owner or has an HSA	Standalone Long-Term Care Insurance	Provides premium deductibility
Has experience with a family long-term care situation	Standalone Long-Term Care Insurance	Understands the impact of an LTC claim event and can buy large benefit amount
Likes "pure protection" products like term-life	Standalone Long-Term Care Insurance	100% of premium goes towards LTC insurance protection
Concerned about future inflation	Standalone Long-Term Care Insurance	Can buy automatic CPI coverage or additional coverage through GPO
Is concerned about "paying premiums and never using benefits"	Linked-Benefits	Provides a death benefit, a pool of benefit dollars for LTC claims and/or a return of premium
Not convinced his/her risk is that great	Linked-Benefits	Pays benefits even if LTC is not needed
Considers himself or herself a self-insurer	Linked-Benefits	Wants to exercise control and take advantage of a smarter way to self-insure
Has highly liquid assets readily available	Linked-Benefits	Seen as an asset transfer
Has existing non-qualified life insurance policy that is out of the surrender charge period	Linked-Benefits	May want to 1035 exchange (if suitable) and as permitted by 1035 exchange rules

WHAT ARE THE TAX CONSIDERATIONS?

Individuals

One thing to keep in mind when planning for LTC is the tax considerations. For example, your clients who have health savings accounts (HSA's) can pay LTC premiums (up to certain annual limits) directly from their HSA – thus paying premiums with pre-tax dollars and LTC benefits received are tax free.

Business owners

Since standalone LTC is health insurance, premiums paid by a company are also deductible. For combination life/LTC plans, some may benefit by implementing a 1035 exchange from an existing life policy into a combination product.

THINK INTEREST RATES WILL RISE?

If so, you may regret being locked into a linked-combination plan. That's because the insurance company controls the cash value and is under no obligation to pay a current rate of return. For conservative investors, this may be an acceptable tradeoff for premium guarantees, but others may want to buy a standalone LTC policy and invest the rest.

LTC CASE STUDIES

Considering that LTC planning is both an art and a science, it is helpful to look at some case studies of LTC planning. We've created the following fictional composite case studies based on the experience of financial advisors with a specific expertise in LTC.

CASE STUDY 1: THE MILLERS	STANDALONE LONG-TERM CARE (LTC) POLICY
Client and Ages	Mr. and Mrs. Miller, ages 62 and 61.
Children	One who recently graduated from college.
Family History	Mrs. Miller's mother (a widow) currently resides in an assisted living facility where she receives assistance each day with transferring, bathing and dressing following a stroke. Care began several months ago and due to her age and frailty she is not expected to fully recover. The monthly cost of care for Mrs. Miller's Mom is $5,000 per month. Mrs. Miller is the only sibling who lives in the same area as her mother. Mr. Miller's parents are healthy and active in their mid-80's.
Health	Mrs. Miller has an average build and takes a statin for cholesterol, Celebrex for osteoarthritis, and hormone replacement medications. Osteoarthritis is stable and well controlled. Mr. Miller is slightly overweight, a type II diabetic with a stable A1C taking oral medication. He also takes one blood pressure medication and a statin.
Financial Snapshot	Net worth: $850k. Most of their retirement funds are qualified funds along with a mutual fund account. Additional assets are not liquid (such as their home valued at $325k with only a few more years of mortgage payments due). Mrs. Miller will retire from teaching in a few years while Mr. Miller experienced a couple of job changes in the last several years and anticipates working until he is 70.
Thoughts about LTC Planning	The Millers' neighbors own an LTC policy which they purchased about 10 years ago. The policy received a 20% rate increase last year. Client health LTC decision: Mr. and Mrs. Miller consider their existing life insurance adequate; there is no significant cash value to exchange. Mr. and Mrs. Miller were originally concerned about paying for a benefit that may not be used. Their advisor addressed this concern by adding a shared care rider. Their advisor discussed the potential for rate increases with his clients. The clients will keep this rate increase likelihood in mind as they plan for future expenses.
Recommendation	Standalone LTC, $5k per month benefit, 3 years each/6 years of shared care, 3% inflation, combined benefit pool approximately $500k. Premium, approximately $5300 per year. The advisor recommended the standalone LTC policy knowing that having a personal experience with a family member needing care meant that the Millers were unlikely to use the "but I may never need coverage" argument.

CASE STUDY 2: THE GARCIAS — LINKED-BENEFIT POLICY

Client and Ages	Mr. and Mrs. Garcia, ages 58 and 50.
Children	The Garcias' have one adult son and a daughter who is in high school.
Family History	Clients' parents are healthy and active.
Health	The Garcias' health is very good, no medications, average build, and active lifestyles.
Financial Snapshot	Their net worth is $1.3 million. Clients own their home valued at $350k and an investment property worth $200k. $400k is predominantly 401k and equities. Liquid assets equal $350k. Mr. Garcia has approximately $45k cash value in an existing universal life policy. Their daughter has two more years of high school with plans for college followed by law school. They have invested in a college savings plan but realize there are additional expenses and costs.
Thoughts about LTC Planning	They have no first-hand experience with long-term care needs, cost, or expenses in their immediate family. The Garcias' have heard other friends discuss long-term care insurance. A key "take away" for the Garcias' – long-term care insurance is expensive and rates can (and do) go up.
Recommendation	LTC: Mr. Garcia, Linked-Benefit Policy - $50k premium (1035 plus additional funds - $78k death benefit); 6 years benefit, $3210 per month, 3% inflation. Mrs. Garcia, Linked-Benefit Policy, $50k ($100k death benefit) premium, 6 years, $4161 per month, 3% inflation.

CASE STUDY 3: THE WILLIAMS — UNIVERSAL LIFE WITH QUALIFIED LTC RIDER

Client and Ages	Mr. and Mrs. Williams, ages 62 and 60.
Children	2 adult children and 3 grandchildren.
Family History	Mrs. Williams' mother is still living and is receiving care in an Alzheimer's wing of a local nursing facility. The other parents are deceased.
Health	Health is good; both are being treated for hypertension and high cholesterol. Both conditions are under control.
Financial Snapshot	Income is $250k per year. Assets are over $2mil (401k and equities) and a condo worth $400k. UL policy with a cash value of 80k.
Thoughts about LTC Planning	Mrs. Williams is concerned about a long-term care event, having seen her mother and mother-in-law need care. Mr. Williams is not sold on the idea and doesn't want to pay for something he may never need.
Recommendation	UL policy with an LTC rider for him. He will exchange the 80k into a new plan that will give him a guaranteed death benefit of 210k, and an LTCI benefit of 8,800/month for two years. Ongoing premium is $4,000/year. Actual benefits can be much more of course. For Mrs. Williams, standalone LTC insurance with an annual premium of $2000 and a $400K policy value. LTC solution: Standalone long-term care insurance for Mrs. Williams and life with LTC rider for Mr. Williams.

*Special thanks to Scott Purcell of IBC, Inc. in Pittsburgh; Carol Einhorn of Arbor Associates in Langhorne, Pa; and Jay Lewis of IPS Advisors in Dallas for their examples and suggestions.

ABOUT LTCI PARTNERS

LTCI Partners is a national brokerage specializing in long-term care (LTC) planning solutions. We work with institutional clients by supporting the sales efforts of their financial advisors, benefits brokers and tax professionals.

Our 70+ associates have a singular focus on supporting the needs of our clients by providing long-term care insurance solutions. Our market-leading positions with LTC insurers allows us to work efficiently and profitably for our customers.

Using a philosophy that is concept, product and carrier neutral, our associates will act in the best interest of the client and make objective recommendations based on each client's personal situation. Unlike many of our peers in the industry, we are well-versed in four broad categories of long-term care planning:

- Standalone long-term care insurance
- Linked-benefit long-term care insurance
- Group long-term care insurance (voluntary and executive benefit programs)
- Association & Affinity programs

Simply stated, LTCI Partners makes long-term care planning easier for advisors and their clients.

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ABOUT THE AUTHORS

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Pat Bradley began his insurance career as a life and health producer. He joined LTCI Partners (then the Heartland Group) in 1997 in an administrative role. He soon moved into sales, where he held a number of positions including head of the sales team. During the period in which Pat led the sales team, sales for LTCI Partners consistently outpaced the long-term care insurance market. In 2007, he was named senior vice president. Today, Pat has responsibility for accounts affiliated with NFP, LTCI Partners' parent company. The combined premium of these companies makes them one of the firm's largest accounts. He is also the company's compliance officer and heads up internal training for LTCI Partners associates. Pat's expertise in LTCi encompasses both traditional and the rapidly growing asset-based product category. He is a certified trainer for the Financial Services Specialist programs that cover insurance products, financial sales training, planning fundamentals and key industry products and services.

Ann Brown
Sales Consultant
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Ann Brown joined LTCI Partners in 2008 as a sales consultant. In her current role, she assists investment advisors in designing LTCi plans for their clients. Ann is a 16-year insurance industry veteran. She has worked as a carrier representative, in brokerage and with a fixed annuity carrier where she obtained her Series 6 and 63 securities licenses. Her passion for the long-term care industry has grown from both professional and personal experience as she was the primary caretaker and power of attorney for her late father. Ann finds it rewarding to educate advisors, friends, and neighbors, and assist anyone who wants to learn more about the long-term care industry and this vital product. She is licensed and partnership-trained and a graduate of Dallas Baptist University.

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