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FINANCIAL SERVICES

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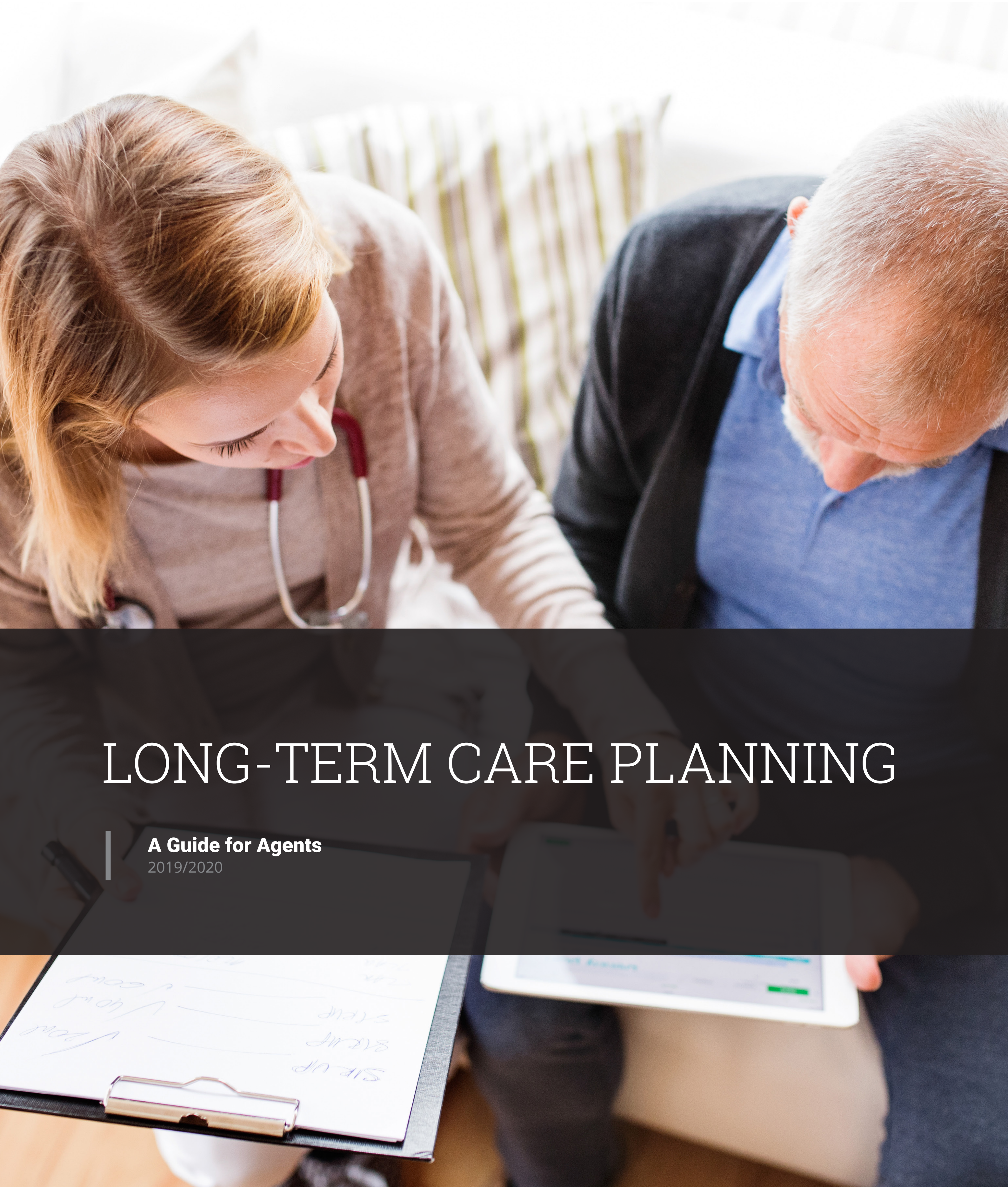


# LONG-TERM CARE PLANNING

**A Guide for Agents**
2019/2020

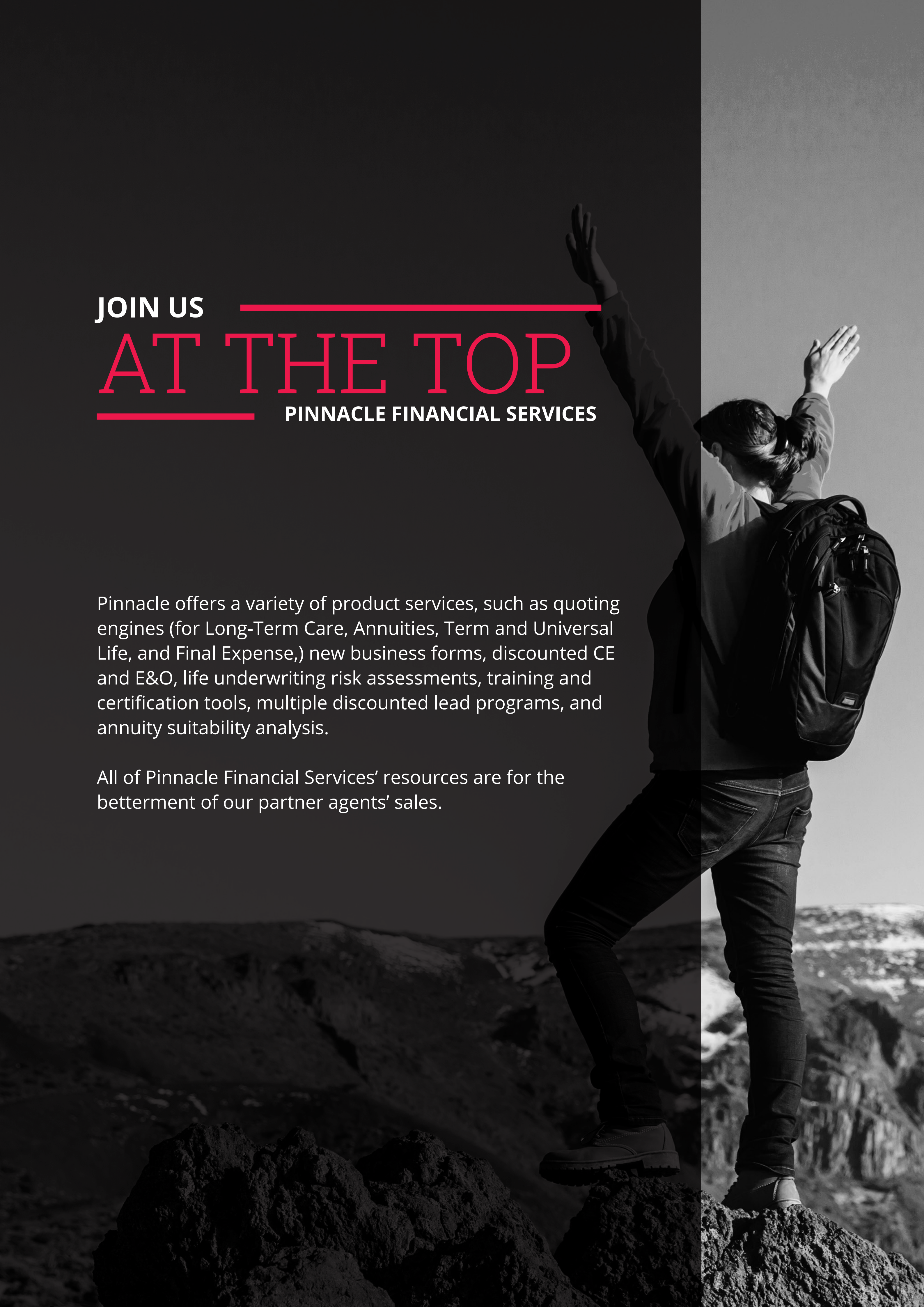
JOIN US

# AT THE TOP

PINNACLE FINANCIAL SERVICES

Pinnacle offers a variety of product services, such as quoting engines (for Long-Term Care, Annuities, Term and Universal Life, and Final Expense,) new business forms, discounted CE and E&O, life underwriting risk assessments, training and certification tools, multiple discounted lead programs, and annuity suitability analysis.

All of Pinnacle Financial Services’ resources are for the betterment of our partner agents’ sales.



# YOUR PINNACLE TEAM

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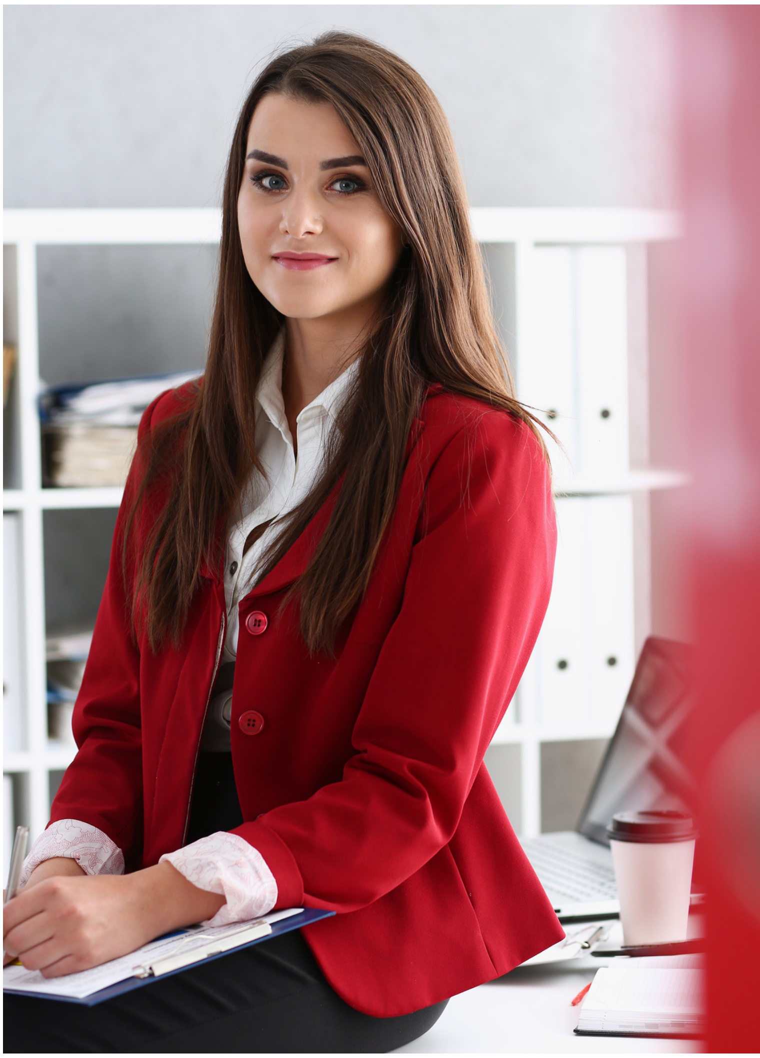
Contact the Life team at Pinnacle Financial Services for a no-cost, product-by-product analysis before you make your next sale.



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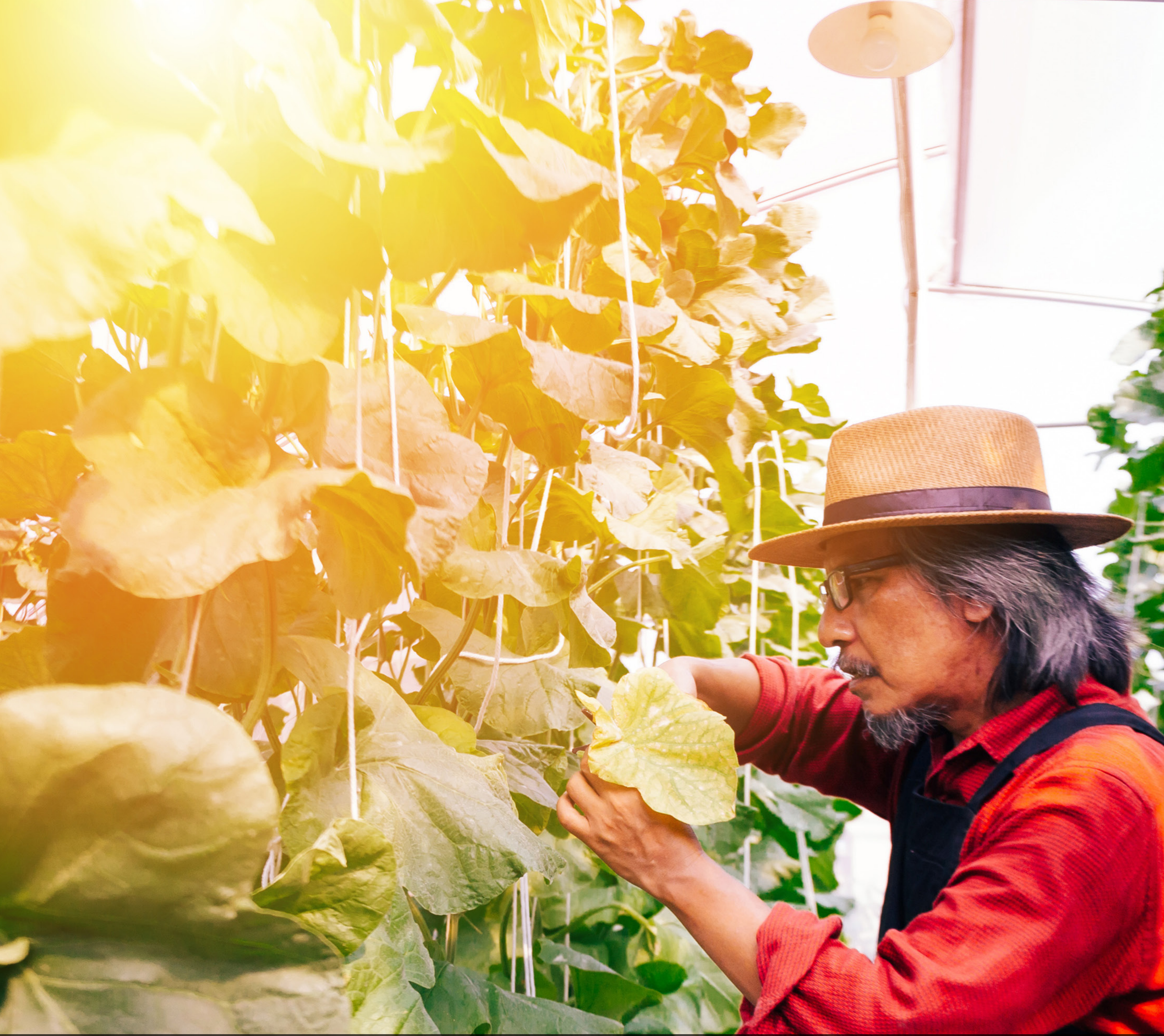

## LONG-TERM CARE

# PARTNERSHIP PLANS

Having a Long-Term Care planning discussion with your clients is a key part of any retirement strategy session. Why? Because Long-Term Care can impact an entire family, as well as your client's retirement savings, and paying for this care can present a challenge.

Pinnacle Financial Services offers a wide variety of Long-Term Care and Long-Term Care hybrid products that can help your clients protect their assets from the high costs associated with them.

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# TRADITIONAL LONG-TERM CARE

- Traditional Long-Term Care insurance provides coverage in many settings including nursing homes, assisted living facilities, and home care.
  - This type of LTC plan gives the most flexibility when it comes to benefit structure and pricing.
- Statistics show that at least 70% of people 65 and older will need Long-Term Care at some point.
  - The average length of that care is almost four years. The average life expectancy after an Alzheimer's diagnosis after age 65 is between four to eight years.
- If your client can qualify, Long-Term Care insurance can be a practical and cost-effective way to help pay for the high costs of LTC services.

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# LIFE INSURANCE

## + LONG-TERM CARE OR CHRONIC/ CRITICAL ILLNESS RIDER

- Life insurance with a Long-Term Care rider, or a linked benefit plan, gives a combination of benefits. A life insurance with a chronic or critical illness waiver can allow acceleration of your clients death benefit.
- When your client purchases a linked benefits policy, they immediately create a death benefit for their beneficiaries, and a pool of money to reimburse expenses for covered Long-Term Care needs.
- A life insurance policy with a chronic and critical illness waiver provides early access to your death benefit, which can help clients pay for Long-Term Care costs. Similar to linked benefit products, this type of policy has the potential to combine two important protections into one policy.

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# FIXED ANNUITY

## + LONG-TERM CARE RIDER

- With a Fixed Annuity Long-Term Care combo plan, you purchase a single premium deferred annuity with a single pay. Depending on how your client answers several simple health questions, their Long-Term Care coverage is typically 200% or 300% of their annuities account value at the time of the claim.
- Because this is a fixed annuity, if your client does not need Long-Term Care services, your client's account value grows at a stated rate of interest. Your clients have the option of taking withdrawals, (if income is needed for any reason,) or to pass on the account value to their stated beneficiary.
- Repositioning "lazy" money into a fixed annuity with Long-Term Care is a great way to help clients provide coverage in the event of a catastrophic health incident.

**Protect** your client's retirement income and assets. **Preserve** your client's independence. **Reduce** their family burden.

# WHAT IS LONG-TERM CARE?

Long-Term Care is a range of services and supports your clients may need to meet their personal care needs. Most Long-Term Care is not medical care, but rather assistance with the basic personal tasks of everyday life, (sometimes called the Activities of Daily Living or ADLs.) These can include:

| | | |
|---|---|---|
| Bathing | Eating | Continence |
| Dressing | Toileting | Transferring |

Most Long-Term Care is provided at home. Other kinds of Long-Term Care services and supports are provided by community service organizations or Long-Term Care facilities such as assisted living facilities, nursing homes, and/or adult day care.

## WHAT DOES LONG-TERM CARE COST?

**NURSING HOMES:**
$102,200 annually, private room ($280/day)

$90,155 annually, private room ($247/day)

**ASSISTED LIVING:**
$48,612 ($133/day)

**HOME CARE /HEALTH AID:**
$52,624 annually ($23/hr)

**ADULT DAY CARE:**
$19,500/yr ($75/day)

*Source: Genworth, 2019*

# LONG-TERM CARE SERVICES

## WHERE ARE THEY RECEIVED?

Depending on the level of care needed, Long-Term Care is performed in a variety of settings, including in a client's home, adult day care programs, assisted living facilities, continuing care retirement communities, specialized Alzheimer's facilities, hospice facilities for the terminally ill, and/or in skilled nursing facilities or nursing homes.

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# WHO PAYS FOR
## LONG-TERM CARE?

## MYTH:

**The Government pays for all of the costs associated with Long-Term Care.**

## FACT:

Medicare does not pay for personal or custodial care, (assistance with Activities of Daily Living or Supervision.) Medicare may however, pay for a portion of skilled and rehabilitative care needs, if a series of strict requirements are met, and only for a limited amount of time.

Medicare will pay for a skilled nursing facility when...

- A person has had a recent hospital stay of at least three (3) days.
- Within thirty (30) days of a hospital stay, said person is admitted to a Medicare-certified nursing facility.
- Skilled nursing services and/ or physical or other types of therapy are needed.

If the above requirements are met...

- Medicare pays for 100% of the skilled nursing facility costs for the first twenty (20) days.
- For days 21 - 100, the individual pays a portion, (amount determined by Medicare,) and Medicare will cover the balance.
- After day 100, the individual will pay for 100% of the costs.

## MEDICAID

For people with limited resources and low incomes. Eligibility and available services will vary in each state. Medicaid may cover certain nursing home care, and some Long-Term Care services at home, on a very limited basis. Eligibility is generally based upon income, personal resources, and certain health and functional criteria.

# PRIVATE FUNDING OPTIONS

**Self Funding:** the individual and family pay for all costs associated with Long-Term Care. Because of the high costs associated with these services, self-funding is considered the least optimal option.

## LONG-TERM CARE INSURANCE

Health insurance and disability insurance do not typically pay for Long-Term Care services. Long-Term Policies however, can help fund all levels of care. This includes help for people with disabilities or chronic, longer-lasting illnesses, including help with eating, bathing, and dressing.

Long-Term Care also includes assistance for those suffering from cognitive impairments, such as Alzheimer's disease and dementia. Long-Term Care can be provided in a variety of settings, such as in a client's home, in an assisted living facility, or within a nursing home.

## >> TERMS TO KNOW:

### BENEFIT AMOUNT

The amount the policy pays for. Can be expressed as a daily benefit, or a pool of money. The pool of money determines the maximum amount of coverage available to you for Long-Term Care. The coverage lasts until the pool of money is exhausted. Think of this pool as your checkbook for covered expenses under your policy. As long as there is money in this checkbook, you can receive benefits for covered expenses.

This pool of money has two parts:

- **The daily or monthly maximum amount of coverage available.** For instance, a policy with a $6,000 monthly maximum allows you to receive up to $6,000 in a month for covered expenses.
- **The maximum benefit amount.** For instance, a policy with a $288,000 maximum benefit amount covers you until you have received $288,000 in covered expenses, at which point your coverage ends. *You've spent all the money in your checkbook*

Most policy maximums are based on multiplying your monthly by a benefit multiplier. For instance, a $6,000 monthly policy with a 48-month (4 year) benefit multiplier provides a $288,000 maximum benefit amount, ($6,000 multiplied by 48.)

Using less than the $6,000 in any month, leaves the benefits in the pool of money (checkbook,) meaning that the policy may last longer than the 48 months.

### ELIMINATION PERIOD

This is the policies' deductible. How many days you would pay for care before the policy begins to pay.

Consider the cost differences between elimination period option before deciding on the best option for a client. Typical choices are 0, 30, 60, 90, and 180-day elimination periods. Some policies allow different elimination periods for different levels of care, or, in a pool of money, until the policy benefits exhaust.

### BENEFIT PERIOD

The amount of time a client will receive benefits. Options vary from one year to a lifetime. The longer the time frame, the most costly the policy.

### INFLATION PROTECTION

This will allow the policy benefits to grow with the rising costs of health care. For older individuals, this can be a cost-limiting factor. Consider pricing a higher benefit amount without inflation up front. Typical options are 3% and 5%, both simple and compounding options.

### BENEFIT TRIGGER

This is the requirement that must be met for a Long-Term Care claim to be paid. Typically, the trigger is needing assistance with two of six activities of daily living, such as bathing, dressing, transferring, eating, toileting, continence, or a severe cognitive impairment such as Alzheimer's.

# LONG-TERM CARE PARTNERSHIP PLANS

The Long-Term Care Partnership Program is a joint federal-state policy initiative to promote the purchase of private, Long-Term Care insurance. The Partnership Program is intended to expand access to private Long-Term Care insurance policies to pay for Long-Term Care services.

Purchasing a Partnership-qualified (PQ) Long-Term Care insurance policy provides added benefits. These benefits are described as "dollar-for-dollar" asset disregard, or "spend down" protection. Individuals who purchase these PQ policies 'earn' one Medicaid asset disregard for every dollar of insurance coverage paid on their behalf.

**Example:** Stephanie buys a PQ policy and needs care one day. Her policy pays out $150,000 of insurance claim benefits. Stephanie earns a Medicaid asset disregard, that allows her to keep an additional $150,000, over the asset level she would otherwise have to meet in order to be eligible for Medicaid coverage. The Partnership Program also protects those assets after death from Medicaid estate-recovery.

# TAX ADVANTAGES

Congress passed the Health Insurance Portability and Accountability Act (HIPAA) in 1996, to ensure that Long-Term Care insurance policies that meet certain standards receive favourable tax benefits.

For these tax-qualified Long-Term Care insurance plans, benefits you receive are not considered taxable income. Additionally, you can deduct Long-Term Care insurance premiums as medical expenses, to the extent that your total qualified medical expenses exceed 10% of your annual adjusted gross income.

The amount of Long-Term Care insurance premiums that you can include in your total medical expenses is subject to Internal Revenue Service (IRS) limits by age. Here are the current, published IRS limits by age.

| AGE IN YEARS, ATTAINED BEFORE THE CLOSE OF THE TAXABLE YEAR | MAXIMUM LONG-TERM CARE INSURANCE PREMIUMS YOU CAN INCLUDE: TAX YEAR 2019 |
|---|---|
| **AGE 40 OR YOUNGER** | $420 |
| **AGE 41 TO 50** | $790 |
| **AGE 51 TO 60** | $1,580 |
| **AGE 61 TO 70** | $4,220 |
| **AGE 71 OR OVER** | $5,270 |

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# CONTACT THE EXPERTS

Long-Term Care insurance is a complex product, but one that should be discussed as a part of any retirement plan. There are a multitude of options available for agents and financial advisors to make accessible. We should no longer assume that Long-Term Care is too expensive or too difficult to sell. Whether taking the time as a financial professional to learn the options, or partner with a qualified Long-Term Care specialist, being able to have your clients address Long-Term Care is essential.

To find out how you can learn even more about LTC and what is available for your clients, contact a Pinnacle representative today.


## SALES

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