

The Certification for Long-Term Care

CLTC DIGEST

cltc-cltc.com

THE DISCUSSION Families Can't Afford Postponing: Elder Care Planning



OCTOBER – DECEMBER 2018

INSIDER'S NOTE

With autumn upon us, we welcome cooler temperatures, snuggly sweaters, pumpkin spice and weekends spent cheering on favorite football teams. It is also time for our final *CLTC Digest* of 2018. As we head into fourth quarter and wrap up another wonderful year, I want to offer my gratitude for the continued support of our CLTC® graduates, advisors and *Digest* contributors.

In this issue of the *Digest*:

- We are pleased to announce that CLTC is a founding sponsor of NAIFA's newly-launched Limited and Extended Care Planning Care Center. On page 2, Carroll Golden, CLTC, shares how the web-based Center will "leverage technology to its fullest to help financial professionals begin the much-needed conversation with their clients about all stages of care and the financial options available to pay for care."
- On page 6, Tom Riekse shares helpful ideas to market your practice for Long-Term Care Insurance Awareness throughout November
- Shawn Britt, CLU, CLTC, addresses the important issue of elder care planning in her insightful article on page 8.
- We appreciate a poetic contribution from Nathan Garnett, CLTC, on page 12. He shares with us a fun, creative look at the history and importance of insurance.
- And finally, Marc Glickman, FSA, CLTC, provides a comparison of LTCi to 401(k) planning in his "Ask the Actuary" column on page 13.

Please enjoy this issue of *CLTC Digest* and look for our next issue during the first quarter of 2019.

Kind Regards,



Amber Pate, CLTC
Executive Director



**Certification for
Long-Term Care, LLC.**



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Why the Industry Needs NAIFA's Limited and Extended Care Planning Center

By Carroll Golden, CLTC®

The new NAIFA Limited and Extended Care Planning Center (LEC Planning Center) will empower industry stakeholders to successfully address the changing needs of all consumers who need or wish to plan for short, extended or long-term care.

NAIFA is proud to take on a subject matter that no one seems to want to discuss these days: short, extended and long-term care for consumers. This topic is such a priority for NAIFA that, together with the Founding Center Sponsors, it will soon launch the Limited and Extended Planning Center (LEC Planning Center) dedicated to helping subscribers choose the products and services that best meet their clients' needs to continue to live their lives with dignity and control.

Some of you may be asking: Why create a center that deals with such a challenging topic? What makes this subject matter so hard for financial professionals/agents to tackle that a dedicated website is key to industry success?

To get to an answer to these questions, we must first examine a major trend that has been affecting the United States for some time: the maturing of the U.S. population. Current estimates put the number of Baby Boomers at 74 million, just behind the nation's largest demographic group, the Millennials. About 10,000 Americans turn 65 every day, and as a result of their longer life expectancies, the U.S. is facing a surge in the number of maturing consumers in every state in the country over the next few decades.

With this maturing of America has come increased demand for information, products, regulations and services that address the specific needs of this

demographic. Policy makers, insurance carriers, senior-care specialists, financial advisors, lenders, as well as health, wealth and insurance professionals, have responded to this need by providing a wide range of products and services designed to help those with critical illnesses, chronic conditions and functional limitations carry on with their daily lives and avoid financial hardship.

At the NAIFA LEC Planning Center, ease of use will be key in helping subscribers quickly find the information they need, contact the source directly, and obtain insights and revenue-generating ideas.

Insurance carriers have created more flexible and modular products to better meet consumers' ever-evolving needs. In recent years, hybrid and combination products that integrate life insurance or annuities with limited and extended care products have become increasingly popular. Carriers continue to roll out products that clients can use to not only pay for critical illness situations and care-giving services, but that can also integrate as a key component of a comprehensive financial-planning program.

Innovation appears to be the order of the day. Agents and advisors working in this space are also upping their game by pursuing industry designations and certifications aimed at enhancing their knowledge and expertise so that they can gain a competitive advantage and better serve their clients. And as the industry matures, thought leaders, researchers, forward-thinking consultants and financial professionals are producing a wide range of studies. Educational programs, such as CLTC, are aimed at providing advisors/producers with the training they need for career advancement.

CHALLENGES FACING THE INDUSTRY

With this wide range of products and services, it is becoming more and more difficult for all stakeholders—agents, financial professionals, distributors and consumers alike—to understand, let alone act upon, the many options available. And although there is a lot of information about product and care options, that information is not readily available in one centralized location. Those in search of product information, resources, or ways to enhance their knowledge must

be prepared to spend time and effort visiting multiple locations and platforms.

The industry is facing an additional challenge: though there is a lot of information about traditional long-term-care insurance, and the product has been around for quite some time, most press has leaned towards negative reporting.

The future of the industry depends on change—change that will usher in opportunities for growth and a chance to create a more positive image of the industry.

NAIFA STEPS UP

Heeding this call for change, NAIFA and the Founding Center Sponsors are launching the LEC Planning Center to achieve the following objectives:

- Provide the industry with the information, strategies and techniques required to meet consumers' needs for guidance, advice and solutions in planning for short, intermediate and long-term care. To broaden its outreach, this information will be virtual and available 24/7.
- Provide top level educational opportunities. The Certification for Long Term Care (CLTC) designation indicates a professional who adheres to the highest standards in the industry. The same can be said for NAIFA members. A bundled rate will be offered to individuals who hold the CLTC designation that will not only provide access to NAIFA's LEC Planning Center but also the opportunity to become a member of NAIFA. NAIFA members are listed and promoted on the consumer site www.advisoryoucantrust.org.
- Provide a vehicle to leverage the power of a positive, single voice for the industry, with each individual voice given the opportunity to be heard. The Center will fill the gap of splintered efforts and create a more accurate, positive view of the many efforts and products created to help meet consumer needs.
- Provide an easy-to-access and affordable community of professionals, for professionals, and eventually, for consumers. Through the power of a virtual private community, the Center will empower the industry to come together to innovate, organize, communicate and share information.

ADVANTAGES OF THE NAIFA LEC PLANNING CENTER

The Center will leverage technology to its fullest to help financial professionals begin the much-needed conversation with their clients about all stages of care and the financial options available to pay for care.

It will assemble a network of solution and service providers, producers, financial professionals and thought leaders to share best practices and research, training and expert advice on the latest trends and issues.

Whether solutions are talked about in terms of individual or worksite clients, all solutions will have a place on the Center's platform. This online resource will be key to more sales. A focus is on attracting new distribution and helping established distributors innovate and grow their business through thought leadership, first-rate educational resources, the CLTC designation, state-of-the-art research, and effective political advocacy.

The NAIFA LEC Planning Center will leverage technology to its fullest to help financial professionals begin the much-needed conversation with clients about all stages of limited, extended or long term care.

Information will be easily accessed through multiple media platforms, such as videos, expert interviews, articles, case studies, webinars, blogs and infographics.

In a world in which there are only 1,440 minutes in a day, and technology is transforming almost everything at a dizzying pace, the Center will give subscribers a unique opportunity to quickly match up products and information with distributor and clients.

At the Center, ease of use will be key in helping subscribers quickly find the information they need, contact the source directly, and obtain insights and revenue producing ideas. Each category or track will have a corresponding Table of Contents for quick access, and each posting will have the name of the presenter or author, the subject matter discussed, a link and directory references.

As the Center matures, content will become comprehensive and will cover traditional and

combination/hybrid products, as well as the latest information on worksite selling, short-term care, critical illness insurance, reverse mortgages, claims management, housing options and innovations, such as the role of robotics in care settings.

Since technology products for agency support, consumer cost of care, claim adjudications and legal matters are key to industry success, they will find a home on the Center. In addition, there will be insights into legislative and regulatory initiatives affecting the industry.

With the NAIFA LEC Planning Center, subscribers will not need to continually move from one site to another to find what they need—it will be at their fingertips, whenever and wherever they choose to access it. And this information will be organized and categorized to allow subscribers and sponsors to quickly obtain the solutions their clients need, and help distributors review a wide range of products, services and skill-sets that lead to increased sales.

A PLACE TO CONNECT, LEARN, AND GROW

The NAIFA Center will offer something else that is truly unique in the industry: an opportunity for subscribers to not only enhance their knowledge about numerous industry innovations, but also to learn how other forward-thinking professionals are using those innovations to better serve their clients. The Center will develop a forum that enables them to connect and learn from the best in the business, subscribers will accelerate their chances of advancing their careers and increasing business profits. The NAIFA Center will fill the gap of splintered efforts that are currently proliferating the landscape and allow stakeholders access to meaningful solutions that truly help their clients.

A SPECIAL OFFER FROM CLTC

According to the late Steve Jobs, great things in business are never done by one person; instead, they are achieved by a team of people working collaboratively and in tandem. In that spirit of inclusiveness, Certification for Long Term Care (CLTC®), a major educational partner of the Center, will offer subscribers, at a discounted price, the opportunity to earn a highly respected designation while gaining a keen understanding of the complex world of care and planning options. A CLTC education gives you the tools you need to have the difficult but necessary conversation with your clients.

CLTC educates professionals in the fields of insurance, financial services, law and accounting about the severe consequences that a need for care over an extended period of years would have not only on their clients, but on the emotional, physical and financial wellbeing of those the clients love, as well.

The goal of CLTC is to give subscribers the proper skill-set to discuss those consequences, offer a plan to mitigate them, and when appropriate, recommend long term care insurance as a funding source for that plan.

Visit www.naifa.org today to find out when the NAIFA Center will be coming to a website near you. The time you spend at this one-of-a-kind Center will provide huge dividends for you as you acquire the insights you need to meet the evolving needs of your clients.



CARROLL GOLDEN
CLTC®

Carroll is a forward-thinking organizational consultant and business strategist with a diverse international background, performing senior leadership roles in the health-care and insurance marketplace. She is recognized for her contributions in the LTCi field and is a frequent speaker and author for numerous organizations.

As a Senior VP in charge of a leading carrier's LTCi Sales and Marketing Department, Carroll's responsibilities spanned the formulation of strategic sales plans and product development, as well as innovative and traditional marketing initiatives.

Carroll has served as Chairperson of the Society of Actuaries Fifth and the Tenth Annual Intercompany LTCi Conferences. She currently participates on the Board of Directors of the Intercompany Long-Term Care Conference (ILTCI). She is President of C. Golden Consulting, LLC, and is currently working with NAIFA and ILTCI on creating the LEC Planning Center.

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PROVIDE TOP LEVEL EDUCATIONAL OPPORTUNITIES

The Certification for Long Term Care (CLTC) designation indicates a professional who adheres to the highest standards in the industry. The same can be said for NAIFA members.

A bundled rate will be offered to individuals who hold the CLTC designation that will not only provide access to NAIFA's LEC Planning Center but also the opportunity to become a member of NAIFA.

NAIFA members are listed and promoted on the consumer site www.advisoryoucantrust.org.





Promoting LTC Insurance Awareness Month

By Tom Riekse, Jr., ChFC®, CEBS

LTC Insurance Awareness Month is almost here and you will want to be part of it! Whether you are communicating the need to plan to consumers or want to partner with financial advisors, using Awareness Month as a focused time to reach out is a smart idea.

Why is November is a great time for LTC Insurance Awareness Month? Because families often are dealing with issues surrounding caregiving and planning during Thanksgiving. And if they have been exposed to the need to plan for care, they may be more likely to also look at LTC insurance.

Before embarking on this monthly campaign, it's smart to plan it out. With the battle for attention span people wage on a daily basis, it's important that your education effort reach be broad and include a variety of different marketing approaches.

A good foundation is to create one piece of original content written by you that describes why you are committed to helping people plan for long-term care. It could be a personal story of caregiving, a family financial crisis, or a description of seeing the financial impact of LTC on a client. The story should reflect how this moment gave you a mission to help people plan

for care. It's also a time to expound on your expertise in solving a variety of planning problems with various solutions. It's important that this story elevate you as an expert in LTC planning.

Once completed, it can be posted on your company's website, a LinkedIn page, or preferably both. In marketing terms, this piece of content is the "pillar" of the month, and all other touchpoints of reaching out will always refer back to this content.

After this article is completed, the rest of the plan includes taking already created material and sharing it throughout the month. Where to get this material is shown below, but make sure that you use a variety of ways of sharing.

Schedule social media shares on Facebook, LinkedIn and Twitter in addition to emailing out information. Videos and stories are effective. For a small budget, you can also promote content on the social media sites and also pay for improved Google search outcomes as well.

Here are five good places to find content that can be shared:





1 Carrier provided education material. It used to be that a lot of company provided marketing materials was focused on comparing their product to the competitors. Examples of this include comparing reimbursement to indemnity plans or discussing the premium stability of a particular carrier. Now, however, carriers are focused on creating education material that will help the overall LTC planning market. Examples of this are promoting cost of care surveys, discussing how LTC can protect retirement assets, and how the claims process works. Each of these help advance the education conversation beyond comparing products.

2 Lifehappens.org. Lifehappens.org is a non-profit that encourages Americans to plan for risk by looking at Life Insurance, Disability Insurance and LTC Insurance. This organization is well known for their Life Insurance Awareness Month activities but also contribute information to the Long-Term Care Insurance Awareness month. They are known for creating meaningful videos and social media shares that can encourage people to plan for care.

Lifehappens has created these pieces that can be shared on Facebook, Twitter, LinkedIn and other platforms. They have also created a consumer-friendly guide to LTC planning.

3 CLTC®. Certification for Long-Term Care is an excellent course and designation for advisors. For advisors who have the CLTC designation, they can benefit by sharing some of the CLTC created marketing material geared towards individual and business clients.

4 Tax Information. Both traditional and hybrid carriers have tax guides that explain the advantages of LTC insurance and LTC extension riders. These tax guides are geared for financial advisors but some carriers have information geared towards consumer and businesses as well.

5 A webinar that can be recorded and listened to on-demand. Software such as GoTo Webinar allows users to record live webinars that can be replayed on-demand by viewers who provide contact information. You could schedule a LTC planning overview call and allow people to listen to the information year-round.

The initial set up to communicate LTC Insurance Awareness Month is a lot of work, but once completed, the following year will be much easier.



TOM RIEKSE, JR.
ChFC®, CEBS

As the Managing Director of LTCI Partners, Tom leads one of the largest national insurance distributors focused exclusively on long-term care planning. Tom has been working in the long term care insurance industry since 1991. He is a graduate of Hope College and has an MBA from The University of Illinois at Chicago.

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The Discussion Families Can't Afford Postponing

By Shawn Britt, CLU®, CLTC®

Elder care planning is a comprehensive strategy that helps define a senior's wishes and assists designated caregivers and/or advocates in handling the physical, personal and financial affairs of a senior aging into the last phases of life. Ideally, family members (or designated friends) should be included in the planning stages, particularly when they will be participating as a caregiver or advocate for the senior. Long-term care (LTC) is just one segment, though a very important segment of total elder care planning. Unfortunately, families often avoid discussing the topic of LTC as well as other elder care issues; but in reality, these may be the most important discussions a family can have.

Don't Delay in Planning

Eleventh hour planning can result in mistakes and lost opportunities for a better outcome. Discussing LTC and elder care issues takes time, and should be done a step at a time and with compassion. It's important for families to discuss who will be in charge of dealing with the parent's needs as parent's ability to manage their own lives starts diminishing. Some families may spread out the responsibilities, while others may allocate most of the care-giving or advocacy duties to one or two family members. But it is important that everyone is clear who will be doing which tasks. Family dynamics can be

delicate, and without a well laid-out plan that everyone is comfortable with, sibling and in-law relationships can easily fall into a state of resentment and in-fighting.

Keep in mind that choosing the right location for the family meeting may be vital in some instances for an orderly discussion to occur. A neutral meeting place should be a consideration, which may help eliminate any sense of a “home advantage” one family member may feel another might have. When conversations take place while parents are still able to make their own decisions, the adult children should recognize that the purpose of these discussions is to help parents develop the best plan possible—not to take over the decision-making process for them. If parents have lost mental capacity, forcing children to make the decisions, parents should still be allowed as much involvement as possible and with thoughtfulness of maintaining their dignity.

Elder Care Checklists

As parents age, a plan should be in place to help jump-start family members who will take over financially; and safeguards should be in place against serious misjudgments a parent might make that could result in financial and emotional consequences. The plan could be implemented temporarily during a recoverable illness, or permanently implemented due to decreased capacity or a LTC event. It’s important that necessary legal documents are up to date, and that copies of these documents, as well as other pertinent information relating to identification, health and finances are in the

hands of the family member that will be acting as an advocate; otherwise, there could be significant delays when the time comes for children to step in.

Some people are not comfortable sharing financial information with their adult children; however, parents should disclose names and locations of any banks where accounts are held as well as contact information for their financial advisors. With this information and the proper documents in hand, the advocate who will be in charge of their loved one’s financial affairs can quickly locate the accounts when the time comes to take over.

Long-Term Care is Part of the Planning

The potential need for LTC increases as we age¹, yet too many families have no LTC plan in place. These conversations can be uncomfortable and thus often take place too late—after a parent’s poor health may no longer qualify them for LTC coverage, or with delay that places the parent at an age where premiums for LTC insurance solutions are no longer affordable. Postponing the conversation and the planning that goes with it can potentially have a huge negative impact on the entire family.

Studies show that most people would like to remain in their homes as long as possible and “age in place”.² But it takes planning and resources in order to have such a choice. Home health care can be the least expensive as well as the most expensive type of LTC, thus planning ahead provides the best chance of being able to implement a parent’s preferred plan of care.

Below is a chart outlining some of the crucial information that should be organized, up to date, and easily available to the person who will be handling the affairs of a parent or other loved one.

- | | | | |
|---------------------------------------|-----------------------------------|---------------------------------------|--|
| • Wills | • DNR (Do Not Resuscitate Order) | • Financial Advisor | • Insurance Cards |
| • Trusts | • Health Care Power of Attorney | • Lawyer | • Medicare, VA, Medicaid Cards |
| • Durable Financial Power of Attorney | • HIPAA Release Form | • Banker | • Phone Numbers of Friends |
| • Life Insurance and Annuities | • Health Insurance Policies | • Accountant/Tax Advisor | • Safe Deposit Box |
| • Investments | • Long-Term Care Insurance | • Religious Counsel | • Marriage Records |
| • Bank accounts | • List of Medications | • Doctors | • Military Records |
| • Charge Cards | • End-of-Life Wishes (discussion) | • Dentist | • Copies of Birth and Death Certificates |
| • Burial Plots and Prepaid Funerals | | • Pharmacy | |
| • Living Will | | • Driver’s License or State-Issued ID | |

It's Not About Risk, it's About Consequences

People often get caught up in thinking about the risk of needing LTC, then try to justify why they will not be in that risk pool. Some acknowledge they may need care, but again place themselves in the group that "won't need care for very long," thus plan for their family to handle their care. And while a spouse may understand they are the backup plan, children are often not told they are being counted on to provide care—it's just "assumed" the children will step up and take care of their parent. Some adult children may be in a position to assist, but many aren't—and such a plan could play out in physical, financial and/or emotional disaster.

Even when there is acknowledgement that LTC could be a part of a parents last stage of life, some families attempting to save money often think they can handle a loved one's care themselves. Mom cares for dad, and then the adult children care for mom. Sounds good on paper, but there are many missteps that people do not think about. Families should be prepared for the consequences of potential decisions they may make, therefore there are many questions a family should think about and discuss.

Questions a Family May Want to Consider in Planning for LTC Needs

Individuals and Couples

- Do you have the physical ability to provide quality care to your spouse?
- Do you have any idea how much long-term care services cost in the area you live?
- Can you afford to stay in your home and pay for care? How long would your assets last?
- How would paying for facility care affect the financial security of the spouse still living at home, or left behind as the surviving spouse?

For people assuming their adult children (or grandchildren) will provide their care, here are additional questions to consider:

- Are your children aware of your intentions to have them care for you?
- Do you have a child that can financially afford to quit work or substantially cut work hours in order to care for you? Or, can you afford to pay that child for their lost income?
- How will your child juggle care-giving duties with their own family responsibilities?
- Where do your children live? How do you feel

about leaving the community and friends you are accustomed to in order to move where your child lives so they can care for you?

- Which child will you appoint to handle your affairs if you can no longer do so?

Adult children may also want to consider the following:

- Do you have the physical ability, time and emotional stamina to provide quality care to your parents?
- Can you financially handle quitting your job, take a leave of absence or reduce work hours in order to create time to care for your parent?
- How will time away from your own family affect your spouse and children?
- Should your parents run out of money, have you considered that your siblings may not agree on what is fair in regard to a split of expenses when supplementing the cost of a parent's care?
- When one adult child has all powers of attorney, other siblings may not agree with how the parent's finances or care are being handled. Do you have a plan in place for family discussions?
- Dissension may occur between family members when care falls primarily on just one or two individuals. Is there a respite plan in place to relieve the caregivers?

Give Your Child the Gift of Permission

Another reason for advanced planning is to protect adult children from feelings of guilt as plans for a parent's care are implemented. As an elder person declines in health, whether mentally or physically, it is common for that person to lose their sense of logic—commonly wanting to "go home" even when that is no longer possible.

When plans are laid out in advance that map out the wishes of the parent, the adult children may be spared from agonizing whether they are making good decisions for their parents, because mom and dad participated or fully planned out their own future while still fully capable of making sound decisions. However, not all plans play out as intended until the end. Parents should consider that they may not remain of sound mind, and should provide their adult children with a potential back-up plan.

In addition to advanced planning, the greatest gift parents can give adult children is permission to veer from the plan if needed when parents are no longer able to make sound decisions. This permission can help the adult child get through difficult emotional times when

hard decisions must be made—knowing their parents instructed them to do what is needed to provide their parents the most appropriate care.

Funding the LTC Plan

When discussing LTC planning, it's important to include a discussion with your client on how to fund the plan. You will also want to consider other financial needs your client may have to help them determine which type LTC coverage might make the most sense to help achieve their goals.

- **Traditional LTC Policy** May make sense for clients looking for less expensive coverage. While benefits are for LTC only, these policies offer couple discounts and shared care benefits.
- **Life Insurance with LTC Rider** May be good for clients still in need of life insurance. As life insurance needs diminish the policy can transition to LTC coverage. Some policies offer premium guarantees.
- **Linked Benefit (Asset Based) LTC** May be good for people looking for maximum LTC coverage with premium and benefit guarantees, and return of premium option.

You will also want to discuss the type of LTC benefit model that will make the most sense to your client and their LTC plan. Ask the client where they would prefer to receive care as well as whom they would prefer as a caregiver. Their answers to these questions may help determine the type of benefit model that will work best for the client—cash indemnity, indemnity or reimbursement.

In Summary

Discussing elder care considerations is a great beginning in addressing the crucial need to plan for long-term care. A well thought-out strategy that includes both elder care and long-term care planning will help families work together with a solid dynamic and ensure people in need receive better care without sacrificing the health or financial well-being of a spouse or adult child caregiver, thus helping to maintain a longer, better quality of life for all concerned.

¹ Council on Aging, "Should I Buy Long Term Care Insurance?", September 2016.

² *The New York Times*, Personal Health, "Aging in Place", Jane E. Brody, May 2, 2016.



SHAWN BRITT
CLU®, CLTC®

Shawn is Director of LTC Initiatives for Advanced Consulting Group at Nationwide Financial. She has been engaged in the life insurance and LTC industry for over 20 years. Shawn has been a major influence in promoting the need for long-term care and development of Nationwide's LTC product solutions.

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A History of INSURANCE

A Poem By Nathan Garnett, CLTC®

I know that you don't like me, and I understand why.
I cost too much money, which makes you want to cry.
But please allow me today to tell you my story,
Using this highly unusual speech category.

A long time ago in civilizations past,
Before this idea of coming in first or last,
Human beings created something called mutual aid,
Which was the first version of me, and we had it made.

If a house or a farm got destroyed, they did not pay.
Instead, the neighbors came together to help
save the day.

They didn't do it to be nice, they didn't do it to be just.
Helping each other was simply an absolute must.

In the period around 2,000 BC,
Chinese merchants were traveling across the
dangerous sea.

The way they used me for their merchandise back then
Was not to put all the goods in one vessel,
but to put them in ten.

The life and health insurance that you enjoy today
Dates back to the Greeks and Romans. I know,
what a cliché!
They valued funerals for all and emergency healthcare,
if needed.
Every person contributed, and that's why they succeeded.

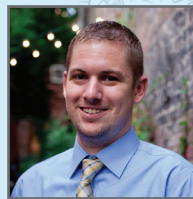
The 18th century was when I really started to soar.
Europeans discovered mortality tables and began to
use math forevermore.
I became more and more sophisticated by being
backed by science and stats.
The 1935 Social Security Act was a good example of that.

Now in the 21st century, we have a new dilemma
on our hands.
We're living much longer than expected, which has
created unforeseen demands.
We must consider the costs of caregiving these days.
Long-term care insurance can be a life saver for
this phase.

You may not ever like me, and frankly that's ok.
I can tell you for sure, though, that I'm not going away.
My best advice to you to help you deal with me
is to think rationally before you buy, and don't listen
to ads on TV.

See, I've been swallowed up by corporations that like to
prey on your deepest fears.
Remember to only insure the things you have to,
and ignore all the marketeers.

At the end of the day, I'm here to help you.
I'm here to protect your life, your car, and your trip
to Timbuktu.
If you think about it, I actually provide a pretty neat
opportunity
By spreading the risk from the individual to the much
larger community.



NATHAN GARNETT
CLTC®

Nathan is an independent long-term care insurance consultant living in Asheville, NC. He's also an amateur poet and a member of a public speaking organization called Toastmasters, where he first delivered this poem as a fun way to share his research on the history of the insurance industry.



ASK THE ACTUARY

By Marc Glickman, FSA, CLTC®

DO YOU HAVE ANY LTCI QUESTIONS FOR THE ACTUARY?

Please submit them to Marc at
marc.glickman@lifecareassurance.com.

Every situation is unique, so always have your client consult their long term care, legal, or tax advisor. The views discussed in this article are opinions of the author, and not National Guardian Life (NGL), LifeCare Assurance, or CLTC.

Dear Actuary,

What do you think will be the breakthrough way to help get the mass market a Long Term Care insurance plan?

Mass Marketing in Massachusetts

Dear Mass Marketing,

Whether true or not, Long Term Care insurance (LTCi) can be perceived as too expensive for the average consumer. It does not help when high cost plan designs are presented to prospective customers. The quotes are usually well-intentioned—after all the cost of care continues to march higher at an unprecedented pace. However, the result is that LTCi feels out of reach for many consumers.

I recently spoke with a senior insurance executive who shared an analogy to the early days of 401(k) planning. Retirement planning companies used to run 401(k) campaigns to build awareness about the amount of money needed to provide future retirement income to keep pace with longevity. The companies were surprised to discover that employees who were given a retirement target of many millions of dollars would not save anything at all! The reason—they felt the target was unachievable and gave up saving altogether.

Eventually, the 401(k) companies got smarter and shifted their focus on a more personal solution of “what’s your number?” This connected better with consumers who realized that everybody’s retirement savings goals were different based on their individualized needs. It turns out a partial retirement plan is much better than no plan at all.

The same is true of long term care planning. Cost of care surveys can drive agents and advisors to present target benefits in the millions of dollars and cause people to delay or give up on long term care planning. Consider a different approach of focusing on a more personalized solution tailored to that client’s needs and maximizing value for their budget. This way, we can begin the process of



partially insuring the LTC risk. Still included in these LTCi plans are peace of mind, guidance for the family, buying them more time at point of claim, caregiver training, and the list goes on.

Even if affordable LTCi plans can be presented, there still need to be incentives for early planning and a way to market these benefits to consumers. This is another way we can gain inspiration from the 401(k) world. Employees can save in their 401(k) plans with pre-tax dollars creating a valuable incentive to participate. Employers get a tax deduction for matching contribution up to a limit. Of course, employees participate at higher rates when employers offer matching contributions. Participation is also reinforced by financial advisors who often recommend maximizing the 401(k) match available. Finally, employers can market retirement planning to their captive employee audience reminding them of this valuable benefit on a regular basis.

There are various LTC think tanks that are working on new ideas for government programs to incentivize long term care planning, but what if we explore the LTCi advantages that already exist? Can the LTCi world replicate the success of the 401(k) world?

- Employer paid LTCi premiums are tax-deductible for employees and their spouses. *Check.*
- Employee paid premiums are not deductible, but benefits are tax-free instead. *Check.*
- A staggering 56 percent of employed caregivers work full-time¹—LTCi resonates with employers and employees. *Check.*

As it so happens, LTCi may be a great complement to one of the bigger risks that the 401(k) retirement plan faces—an extended long term care event that could deplete significant 401(k) dollars. With employer sponsored LTCi, a strong incentive can be provided for consumers to begin planning early for the long term care risk.

401(k) plans have managed to succeed despite many challenges in their marketplace. LTCi plans in the worksite face unique challenges too. Guaranteed issue plans have proven to not be viable for insurance companies. Therefore, the existing offerings require prudent underwriting of the entire group with high minimum participation requirements or prudent underwriting of the individual during enrollment without participation requirements. Partially employer funded plans may require unisex pricing, which is available from fewer carriers. On the positive side, employees incentivized with affordable plans and employer funding are more likely to plan early, which also makes it more likely that they can qualify for coverage with underwriting.

The key to overcoming the challenges is setting expectations with employers and employees early in the process. Like an individual needs a plan that fits their budget, employers also need funding options that fit their benefit's budget. Employees need to understand the value of the plan they are purchasing and whether they can qualify for plans with underwriting early in the process. Alternative planning options can be identified if a client does not qualify. Most importantly, employers need to understand the value of LTCi coverage to both themselves and their employees. Long term care events can deplete a company's most important asset—its people.

Employees with competing priorities for their hard-earned dollars may still delay planning because the risk is either too far away, or they think it's unlikely to happen to them. This opens the opportunity to incorporate Life/LTC Hybrid solutions or traditional LTCi with return of premium. Employer funded traditional LTCi premium may still be tax deductible even with a return of premium option, but you should consult your client's tax advisor for their specific situation. The Hybrid approach of providing value in the event that care is not needed can be compelling, especially for younger employees.

INSIDE THE NUMBERS

The majority of worksite LTCi plans are voluntarily purchased by employees. Consider shifting some of the employer's total benefit spending to a tax-deductible LTCi contribution instead. Here are a few strategies to help promote employer funded LTCi:

Base/Buy-Up

With this strategy, the employer funds a base plan for all employees with a voluntary option to purchase more coverage. The employer contribution to the base plan can free up funds for an employee to purchase additional benefits or a plan for their spouse.

LTCi Complement to 401(k) Plan

Employers are already familiar with 401(k) strategies. LTCi can be designed in a similar way. Allow the employee to voluntarily purchase a plan with the employer offering to match the purchase dollar-for-dollar. The employer can control the total spend by limiting the amount of the total match.

Small Business Owner Tax Deductibility

Most profitable businesses can deduct LTCi premiums. C-Corporation owners can generally deduct LTCi premiums in full subject to it being reasonable compensation. Self-employed business owners, S-Corporations, or Partnerships may be

Sample Employer Funded LTCi Strategies

Strategy	Summary
Base/Buy-Up	Give all employees a basic level of coverage with an option to buy up.
LTCi Complement to 401(k) Plan	Offer a LTCi plan that has a contribution similar to a 401(k) match.
Small Business Owner Tax Deductibility	Build a tax-efficient plan for closely-held businesses like doctors, accountants, lawyers, or farmers.
Executive Carve Out	Offer high-end plans to highly-paid employees.
Hybrid Benefits in the Worksite	Allow employees to get LTCi protection if needed and a benefit if not.
Disability Income Extension	Expand on an employer funded DI program.

eligible for an 'above the line' self-employed health insurance deduction subject to an annual limit. For premiums paid in 2018, the deduction allowed per person is the amount of premium paid up to \$1,560 between ages 51-60 and \$4,160 between ages 61-70.

Executive Carve Out

Businesses often offer tax deductible benefits programs intended to attract and retain key employees. The advantage for LTCi is that the LTCi benefits are still received tax-free. Also, employers can define rules to "carve out" eligible participants using criteria such as job title, tenure, or salary. Creative plans can be designed to use LTCi benefits instead of corporate bonuses. Despite not benefiting from the tax deduction, non-profit entities such as hospitals, academic institutions, or governmental organizations commonly use benefit programs instead of other forms of compensation to recruit, retain, and reward talented employees.

Hybrid Benefits in the Worksite

Employers seeking a fresh approach to the LTCi market may find Hybrid style benefits that address objections. Life insurance-based plans or traditional LTCi plans with return of premium can be offered to fulfill this objective. However, traditional LTCi plans offer the advantage of generally being tax deductible, with flexibility on recurring premiums and inflation protection options. This new-look approach to LTCi can also help respond to the rate increase concern.

After all, if a rate increase occurs on a traditional LTCi plan with a return of premium option, premiums including the increased premium could be returned

to the employee's beneficiary. Return of premium also opens a world of advanced planning opportunities if the return of premium benefit can be provided back to the corporation like a COLI-style program or in a trust. Be sure to consult with a tax advisor when suggesting these advanced solutions.

Disability Income Extension

An employee's most valuable asset is often their income. Many LTCi prospects have disability income insurance to protect their income. Disability income insurance often ends at the client's retirement. LTCi can be positioned as an extension to that original plan to protect retirement income. DI protects income from disability during working years and LTCi can pay bills for custodial care due to a chronic illness both before or during retirement.

Other Enhancements

Worksite strategies can be aided by two additional LTCi advantages. First, LTCi plans can be designed with features that qualify for LTC Partnership protection in many states. Employees who might otherwise have to deplete most of their assets to qualify for Medicaid may be able to keep assets in an equal amount to LTCi benefits received. Second, more employee benefit programs offer Health Savings Accounts (HSAs) today due to the increasing popularity of high-deductible health insurance plans. If a company offers an HSA, it can be attractive for the employee to pay a portion of the premium using pre-tax dollars from an HSA.

THE BOTTOM LINE

There are insurance solutions available on the market today to help deliver LTC plans to the mass market. The biggest obstacle is customizing plans to meet each client's unique needs, and most importantly, their budget. We can replicate the success of the 401(k) market by offering tax-deductible plans that are fully or partially funded by employers. Employees with some "skin in the game" often appreciate the employer's contribution even more.

There is a myriad of creative ways to apply the unique advantages that LTCi already has in the worksite. However, many participants in the market have trouble seeing beyond the guaranteed issue approach. Prudent underwriting can lead to more sustainable LTCi outcomes benefitting all involved, in the form of more stable premiums and the availability of richer benefits.

Employers, whether large or small, are so focused on the day-to-day running of their businesses that they miss opportunities to protect themselves and their employees. Even insurance agents who are small business owners overlook LTCi benefits for themselves and their employees. As you consider offering one of the strategies above, consider your own plan first. This will give you the value of your own personal experience and story to share during your next presentation.

¹ Family Caregiver Alliance National Center on Caregiving. "Caregiver Statistics: Work and Caregiving." Caring for Adults with Cognitive and Memory Impairment | Family Caregiver Alliance, 2016, www.caregiver.org/caregiver-statistics-work-and-caregiving.



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Marc is Chief Sales Officer with LifeCare Assurance. His mission is to revitalize the LTCi industry, so consumers have more choices for long term care planning. Marc is responsible for distribution of the National Guardian Life (NGL) EssentialLTC program. He has a decade of experience as an LTCi actuary.

Marc has a Bachelor's of Arts degree in Economics from Yale University, is a Fellow of the Society of Actuaries (FSA), Member of the American Academy of Actuaries (MAAA), and has a Long Term Care Professional (LTCP) designation from America's Health Insurance Plans. He works with the Society of Actuaries Long Term Care Section Council and is a frequent speaker and author on LTCi topics.

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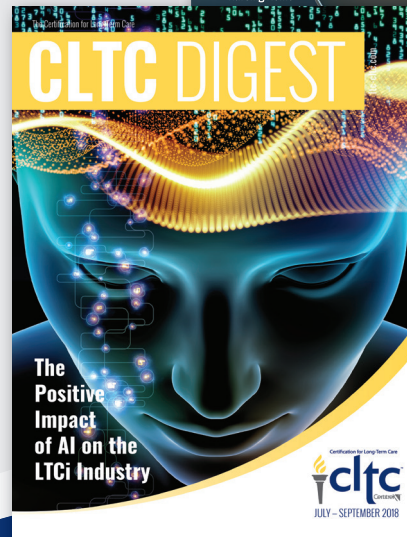
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