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CLTC DIGEST

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The Upside of LTC Planning in a Down Market

Certification for Long-Term Care

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JULY– SEPTEMBER 2020

INSIDER'S NOTE

We are living in uncertain, unprecedented times. But one thing is certain: we miss seeing all of our industry peers ... and the joy of engaging with others beyond our immediate families.

We have had unbelievable success with our Virtual Master Class model and enhanced eCLTC program. It is encouraging to see so many professionals continuing to invest in their careers and clients and join the rank of CLTC graduate, like all of you.

Looking ahead, we will soon be sharing more information via webinar about our new Sales Scenarios training. In this brief supplementary program, we will expand upon the selling scenarios taught in the CLTC program.

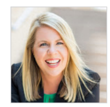
On behalf of the entire CLTC team, we hope you all are healthy and finding positive ways to adjust to our current environment. We look forward with great hope to a time when the doors of the world open back up and we again feel safe to interact more freely with one another.

Thank you for your continued support. Please enjoy this current issue of the *Digest*.

Amber Pate

Amber Pate, CLTC®
Executive Director

Certification for Long-Term Care, LLC.



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MEMBER SERVICES ADMINISTRATOR
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DIRECTOR OF TRAINING & DEVELOPMENT
BILL COMFORT, CLTC®

CONTACT CLTC
877.771.2582
info@ltc-cltc.com
1005 Slater Road, Suite 101
Durham, NC 27703

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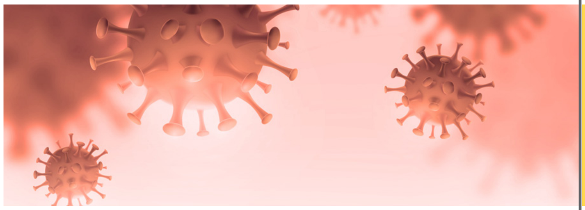

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THE UPSIDE of LTC Coverage in a Down Market

LTC Planning with a Linked Benefit Policy

By Shawn Britt, CLU, CLTC®

Borrowing a statement from an industry friend, "the worst thing you can do is try to time the purchase of insurance." There are a lot of excuses for why people put off purchasing insurance, particularly long-term care (LTC) coverage. One excuse could be a downturn in the market that results in uncomfortable losses in the client's portfolio; and the client's excuse being that they need to wait for their accounts to recover before committing to such an expenditure.

A down market **is just as good a time** to purchase LTC coverage as in a healthy market.

The only difference is how the policy is funded. When accounts are healthy, leveraging a cash asset with a single premium may make sense. But in a down market, longer premium schedules can result in an equal or better total financial outcome when looking at the LTC policy benefits combined with a recovered account balance.

OWNING LTC COVERAGE IN A DOWN MARKET

LTC coverage can be a safety valve if benefits are needed when the market is down by providing a dedicated stream of funds, off to the side and not subject to market volatility, that can help pay for LTC expenses. This provides an opportunity to leave the portfolio intact to grow back and grow forward, and hopefully keep plans for desired LTC services, assets for a surviving spouse and legacy plans in place.

Whether or not to purchase LTC coverage is not about risk, because no one can predict who will need LTC services or when a LTC need will occur.

However, the consequences of not having a LTC plan with funding in place can be much more easily recognized; and some of those consequences can vary based on the wealth a client possesses. There is a wide span of consequences to consider, but for now, we will just focus on a few personal and financial consequences of having no LTC coverage to pull from during a down market.

The Middle Class: May have little leeway to withdraw dwindling funds to pay for care in a down market —which could lead to more dependence on family members to provide care than anyone intended. This in turn may financially impact the adult children or other family members being depended upon - due to a potential necessity to cut their work hours, take a leave of absence, or retire early, etc. in order to provide the care.

The Affluent (no estate tax liability): Could suffer a double loss in their portfolio when withdrawing funds to pay for care. Withdrawals can't be grown back or grown forward, thus impact future account growth. Concerns of withdrawing funds from a portfolio in decline could also impact a person's choice of care services. These people may feel they should consider dialing down the type of care services they originally planned for in order to conserve funds.

The High Net Worth (with estate tax liability): Subject to a double loss (as above). In addition, when these people self-fund, they are subjected to potential estate taxation on unused funds that were set aside in the estate to pay for care. Placing indemnity LTC coverage in an ILIT (Irrevocable Life Insurance Trust) is a way to help avoid unnecessary estate taxes that could potentially occur with a self-fund plan.

HOW LINKED BENEFIT LTC COVERAGE CAN HELP

A linked benefit LTC policy may be able to help position your clients more comfortably in uncertain market times. Most portfolios have some conservative positions and linked benefit LTC coverage may work well positioned as a non-correlated asset because these policies have guarantees and provide:

- Immediate leverage of premium dollars
- Premiums that are guaranteed not to increase
- Benefits that are guaranteed to be what you purchased (assuming no withdrawals or loans)
- Premium protection from a death benefit at least equal to premiums paid, if never used
- Refund of Premium Options that provide liquidity if needed

PURCHASING LINKED BENEFIT LTC COVERAGE IN A DOWN MARKET

When purchasing linked benefit LTC coverage, particularly when the market is in a state of uncertainty, multi-pay premiums can address some of the emotions associated with such a purchase by:

- Providing immediate leverage with the initial premium even when paying premiums monthly
- Leaving more assets in the account to recover
- Providing guaranteed LTC benefits
- Providing a guaranteed death benefit that can help restore the total inheritance—particularly with an early unexpected death—to a beneficiary in a down market.

LET'S LOOK AT SOME EXAMPLES

Our client is a 55 year old male who is married, a non-smoker, and wants to purchase a linked benefit LTC policy with a six-year LTC benefit and no inflation. These examples are hypothetical and outcomes may vary. We will use the following assumptions:

- Client had an account value of $1,000,000
- Market loses 20% leaving $800,000 in this particular account
- Linked benefit LTC policy is purchased when the account value is at $800,000
- Market recovers over next 30 years at approximately 5% annually

- No more dollars are deposited in to this particular account

We are used to thinking of a single premium as providing more LTC benefits (and death benefit) than a multi-pay of the same cumulative premium amount. And that is still true. However, it will also pull out more dollars from the account that cannot be grown back or grown forward. Utilizing a multi-pay premium schedule can preserve more of the account balance in the early years to potentially recover and then increase in value.

First, we will look at a scenario in which the death benefit pays in full because LTC benefits are never needed. We will look at a single premium scenario compared to a 10-year premium schedule with a death occurring in just one year after the policy is purchased and a scenario in which death occurs after 30 years; and we will look at the total value of death benefit added to the account value left to the beneficiaries.

Then, we will look at a LTC claim that begins at age 80 and lasts six years. We will compare a single premium with a 10-year premium schedule and compare the total of LTC benefits paid added to the account value at death.

DEATH BENEFIT SCENARIOS

No Long-term Care is Ever Needed

Chart 1 demonstrates that when a linked benefit LTC policy is purchased with a 10-year premium schedule, the policy owner gets an immediate leverage of death benefit as soon as that first premium is paid, even on a monthly mode. This can help restore the total portfolio balance for beneficiaries, especially if a death were to occur in the early years of the policy.

The total amount available to beneficiary/heirs would be $75,500 greater than if the linked benefit policy had been purchased with a single premium. In addition, the cumulative amount available to heirs if death occurred 30 years later is $76,754 more by using a 10-year premium schedule. Please keep in mind that the difference will be greater if market performance is higher

CHART 1

START WITH $800,000	SINGLE PREMIUM $100K	10-YR PREMIUM SCHEDULED @ $10K/YR	
Account value after first premium is paid	$ 700,000	$ 790,000	
Linked benefit LTC policy death benefit	$ 168,000	$ 149,000	
Account value at death (after 1st yr)	$ 735,000	$ 829,500	
Death benefit + account value (after 1st yr)	$ 903,000	$ 978,500	+ $ 75,500
Account value at death (after 30 yrs)	$ 3,127,421	$ 3,223,175	
Death benefit + account value (after 30 yrs)	**$ 3,295,421**	**$ 3,372,175**	**+ $ 76,754**

CHART 2

START WITH $800,000	SINGLE PREMIUM $100K	10-YR PREMIUM SCHEDULED @ $10K/YR
6-yr claim starting at age 80		
Account value at death (age 86)	$ 3,176,628	$ 3,388,079
Linked benefit LTC total paid over six years	$ 504,000	$ 447,000
20% guaranteed residual death benefit	$ 33,600	$ 29,800
Total CM II benefit paid + account value	$ 3,714,228	$ 3,864,879
Total difference		**$ 150,651**

than 5%, or if there is a sharp recovery in early years. The difference could be less under certain market conditions. Outcomes will vary with differing circumstances. Numbers for the linked benefit policy were rounded to remain generic.

Six-Year LTC Claim (Starting at Age 80)

In chart 2, we compare portfolio balances after a six year LTC claim that starts at age 80. The market recovers over the next 31 years at 5% annually. The insured goes on claim at age 80 and dies at age 86.

By purchasing a linked benefit LTC policy with a $10,000 annual premium paid over 10 years vs. a single premium of $100,000, the total result between linked benefit LTC benefits plus the account value could be $150,651 higher, since more money is left in the account value in the early years to potentially grow back and grow forward.

Please keep in mind that the difference will be greater if market performance is higher than 5%, or if there is a sharp recovery in early years. The difference could be less under certain market conditions. Outcomes will vary with differing circumstances. Numbers for the linked benefit policy were rounded to remain generic.

CERTAINTY IN UNCERTAIN TIMES

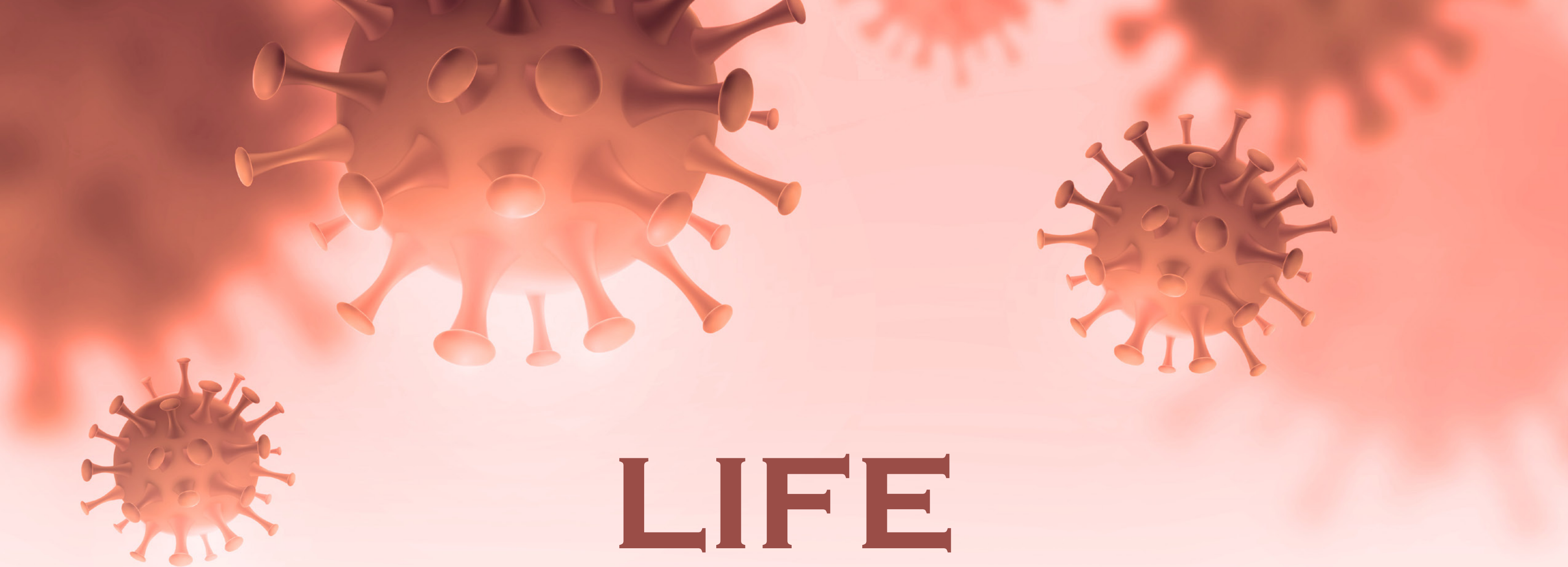
A linked benefit LTC policy can help bring certainty to uncertain times with definable guarantees.

- Guaranteed premiums
- Guaranteed LTC benefits

Clients who are unsure about timing the purchase of a policy may be tempted to wait for their account values to grow back before making such a purchase. But with waiting comes the risk of having a change of health that could result in the applicant being declined, or the additional premium cost another birthday brings. Using extended premium schedules can provide guaranteed immediate leverage upon the first premium payment; so your client can be certain of what benefits they will have in the future if benefits are needed, while leaving account values mostly intact to rebound or continue growing.

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.



LIFE SETTLEMENTS

Betting on Insurance During Coronavirus

By Chris Orestis

Life settlements are a unique financial option that rewards the owner of a life insurance policy with more value for their policy as they get older and sicker. During the coronavirus pandemic, seniors who own a life insurance policy are actually holding a very valuable asset that is increasing in value as the pandemic gets worse. Life insurance companies are reluctant to issue policies in today's environment, but the life settlement market is booming.

Life insurance policies are one of the most valuable and stable assets a person can own because the death benefit is guaranteed for as long as premiums are paid for the policy. Policy owners have the legal right to sell off an unneeded or unwanted policy through what's known as a "life settlement."

The majority of people don't realize that their policy has secondary market value **and can provide a lump sum cash payment** while they are still alive.

Unfortunately, as many as 9 out of 10 policy owners will lapse or surrender their life insurance without realizing this—and after making premium payments for years!

Life insurance policy death benefits are guaranteed and are not impacted by the current performance of the stock market—a $100,000 death benefit last month is still $100,000 today and will still be $100,000 next month. Because life insurance policies are *uncorrelated* to market and economic conditions, investors value buying life insurance policies as a non-traditional asset to balance their holdings. Life insurance policies in the secondary market are more valuable than ever.

Would you abandon your home without selling it after years of making mortgage payments? Of course not, and no one should abandon a life insurance policy after years of making premium payments either. It is critical that the owner of a life insurance policy understands that they can use their policy while still alive to help cover the expensive costs of retirement, health care and long-term care.

A life insurance policy owner can exchange their policy for a variety of benefits such as tax-free payments for long-term care services, lifetime income from annuities, a reduced death benefit with no more premium payments required for the policy owner, or a lump-sum cash settlement.

7 KEY TAKEAWAYS

1 Life settlements are a flight to safety as an asset during economic crisis.

2 Life insurance is "uncorrelated" from economic conditions because death benefit values are guaranteed.

3 A $100,000 death benefit has not changed from last month to today to next month no matter what is going on around us.

4 Seniors are being hit hard by this crisis not just because they are vulnerable to infection and fatality, but because their investments and income have taken a huge hit as the stock market has melted down.

5 Many seniors will be facing a decision about making their next premium payment on a life insurance policy. Should they keep a policy or should they take any cash value or just let it lapse?

6 For seniors struggling financially, the life settlement option could be a better move than:

- Lapsing or surrendering a policy
- Liquidating investments or assets in a down market and locking in losses

7 This is an immediate financial solution for seniors:

- A financial solution that can be accessed during a crisis
- The settlement is for a policy a senior already owns and has made premium payments on for years.
- There are no fees to do a life settlement—there are no out of pocket costs
- When a person settles their policy, the policy owner receives cash which can often be tax-free and they are no longer responsible for premium payments.
- The process can be completed from start to finish in 90 days or less.
- The entire life settlement process is conducted remotely and there is no need for in person meetings at any time.

During the coronavirus pandemic, life settlements are an immediate lifeline for seniors who could be struggling financially and own a life insurance policy in danger of being abandoned without realizing it could hold significant re-sale value. Senior clients have watched their investments and income take huge losses, and as many contemplate if they can afford to make the next premium payment on a policy, or are wondering what assets they can look to for value—a life settlement could be a much better option for them in this time of crisis.

CHRIS ORESTIS

Chris is President of LifeCare Xchange, a nationally recognized senior care advocate, and expert in retirement, long-term care and specialty senior living funding solutions. The author of two books, numerous published papers and articles, and a frequent industry speaker; he is the innovator that brought the LTC-Life Settlement into the market over a decade ago.

During the coronavirus pandemic, **life settlements are an immediate lifeline** for seniors who could be struggling financially...

New Premiums Increasing on Hybrid Life + LTCI Plans

By Tom Riekse, Jr., ChFC, CLU, CEBS

Many clients find that the best way for them to plan for LTC is by purchasing a linked life/LTC plan. Compared to traditional LTC policies which provide pure long-term care protection (and the most LTC protection per premium dollar) linked life/LTC trade off some of that leverage to provide guaranteed premiums and a life insurance benefit.

The current pandemic has increased awareness of LTC and the need to plan.

It has also had broader economic impact in the form of higher unemployment and lower long-term interest rates.

Those lower long-term interest rates can have a dramatic impact on the performance of an insurance carriers reserves—especially on single-premium life/LTC products. If you are a financial professional, it is critical to let your clients know of the changes and impact.

To give an example, let's say a 60 year old single woman in Illinois is interested in repositioning some assets from investments into a single premium hybrid life/LTC plans. She's working with an advisor who has narrowed down the choices to two carriers, and decided the ideal single premium would be $100,000.

The advisor worked with their brokerage general agency who provided this side-by-side comparison of

	LINKED LIFE/LTC CARRIER OPTION 1	LINKED LIFE/LTC CARRIER OPTION 2
Initial Monthly LTC Benefit (Use for home or LTC facilities)	$4,000	$3,435
Initial LTC Total Benefit	$254,847	$218,891
Long-Term Care Benefit Period	5 Years	5 Years
LTC Inflation Option	3% compound	3% compound
Monthly Benefit (Age 90)	$9,701	$8,340
Total Benefit Pool (Age 90)	$618,600	$531,307
Cash Surrender Value (Age 90)	$70,000	$102,303
Type of Policy	Expense Reimbursement	Cash Indemnity
Current Single Premium	**$100,000**	**$100,000**
NEW Premium	Approx. $120,000 for applications received after June 26, 2020	Approx. $113,500 for applications received after July 17, 2020

LTC Benefits. Note: *These are actual premiums from currently available products and carriers.*

For these particular clients, their decision will based on whether they want more LTC benefit per premium dollar from the reimbursement products or a little less benefit but the flexibility of a cash plan. In the above example they may also be interested in the higher cash surrender value (in case they change their mind) of carrier 2 as well.

However, regardless of what decision they make one thing is clear—they can save substantially by purchasing now instead of waiting until later this year. Because of the extreme low interest rate environment, carrier 1 is increasing single premiums about 20% for applications received after June 26 and carrier 2 is increasing single premiums about 13.5% for applications received after July 17.

Both these carriers offer other premium payment options such as 10-pay which will be subject to new pricing but won't be as adversely impacted.

It's always a good time
to plan for long-term care,
but it may be an especially good time
to consider LTC Insurance
because plans may never again
be such a great value.

To learn more about the changes in LTC Insurance check out our new ebook *LTCI 2.0*.

TOM RIEKSE,
ChFC, CLU, CEBS

Tom is the Managing Director of LTCI Partners, one of the largest national distributors focused on long-term care planning. LTCI Partners works with financial advisors, benefit brokers, associations and anyone else interested in helping protect people against the devastating financial impact of a long-term care event.

Part 2

Clarifying Living Benefit Riders on Life Insurance Policies

By Shawn Britt, CLU®, CLTC®

In part two of "What's in a Name," we will address the often misunderstood and improperly interchanged terms of LTC Riders, Chronic Illness Riders and Critical Illness Riders on life insurance. These "living benefits" riders - while similar in some ways – should be understood and presented as unique funding solutions for potential future care needs.

LTC RIDER ON LIFE INSURANCE

These policies are intended for people who still have life insurance needs, but also have LTC concerns for the future. The death benefit is accelerated to provide monthly LTC benefits for qualifying needs. LTC benefits vary by insurance company and range from 1% to 5% per month of the death benefit.

- The length of benefit payments will be tied to the monthly benefit percentage elected. For example: a 2% monthly LTC benefit will last 50 months while a 4% monthly LTC benefit will only last 25 months.
- In addition, 100% of the death benefit will be paid (assuming no withdrawals or loan) either as LTC benefits, a death benefit, or a combination of both. For people who still need life insurance and can't afford a separate LTC policy, this is a good alternative as it provides the life insurance protection needed now but can transition to LTC coverage later after life insurance needs have been reduced or eliminated.
- Some companies offer a guaranteed minimum death benefit – even if the entire death benefit is exhausted by LTC claims. The amount varies by insurance company up to 10% of the original death benefit amount.
- LTC Riders also must comply with LTC Consumer Protections including policy lapse protection while on LTC claim, reinstatement of the policy without evidence of insurability (qualifying circumstances apply) and extension of benefits after policy lapse (qualifying circumstances apply).

- LTC Riders are fully underwritten, for both the life insurance and the LTC portions of the policy.
- LTC benefits are paid by reimbursement, indemnity and cash indemnity benefit models.

Life insurance policies with LTC riders are sold by insurance agents and financial advisors who are life insurance licensed, have completed any required state LTC CE requirements, and also hold any other license required to sell the underlying life insurance policy.

CHRONIC ILLNESS RIDER ON LIFE INSURANCE

These riders are similar, but not equal to LTC riders. In fact, regulations prohibit the use or association of the term "long-term care" in any way (verbally or in writing) with these riders. These policies are intended for people who still want life insurance protection, but also have concerns with future chronic illness needs. The death benefit is accelerated to provide monthly benefits for qualifying chronic illness needs. All chronic illness riders pay benefits in the cash indemnity mode. However, how much the chronic illness benefit is and how much the policy pays out in total depends on the type of chronic illness rider chosen. The two most common types of chronic illness riders are: "dollar for dollar" and "discounted."

Dollar for Dollar Chronic Illness Riders

Dollar for dollar riders are fully underwritten for the death benefit and chronic illness rider; and there is also a charge for the chronic illness rider

- As such, the full amount of the death benefit will be paid either as chronic illness benefits, a death benefit, or a combination of both.
- There is no residual death benefit in excess of the death benefit
- Depending on the insurance company, temporary claims may or may not be allowed
- Depending on the insurance company, lapse protection while on claim may or may not be available and policy premiums may or may not be due while on claim.
- LTC consumer protections are not required on these policies, thus may not be included or may be limited and vary greatly by insurance company.

Discounted Chronic Illness Riders

- Discounted chronic illness riders are only underwritten for the life insurance component of the policy. The chronic illness rider is a "check the box" if desired, or just included—though there may be a requirement that the

- base policy be a certain underwriting class (such as standard) to qualify for the rider. While there is no charge for the chronic illness rider, it is not free.

- If death occurs without using the chronic illness rider, then the full death benefit will be paid (assuming no withdrawals or loans).

- If the chronic illness rider is enacted, then a portion of the death benefit is accelerated to provide chronic illness benefits, but the accelerated amount is then discounted to "pay for" the rider. How much the acceleration is discounted depends on a formula comprised of many factors:

    - All else being equal, women's acceleration will be discounted more and they will receive less than men. This is because they are expected to live longer and paid less for the policy.

    - The younger a person is, the more the acceleration will be discounted and they will receive less than an older person of the otherwise same circumstances.

    - When the rider is enacted, unless done near age 100, the total death benefit purchased will not be received in total. The amount that is discounted for the acceleration of benefits is the "charge" and the total amount of the discounts will never be paid to the policy owner or their beneficiaries.

- Generally, only permanent claims are eligible for benefits

- Lapse protection and other consumer protections are generally not available or are limited

- This rider may be a good choice for someone who is still life insurable but not long-term care insurable since only the life insurance portion of the policy is underwritten.

Life insurance policies with chronic illness riders are sold by insurance agents and financial advisors who are life insurance licensed and also hold any other license required to sell the underlying life insurance policy. Currently, no state CE is required.

CRITICAL ILLNESS RIDER

The term "critical illness rider" is often confused with the term "chronic illness rider," but they are two totally different types of benefits and should not be interchanged.

The purpose of a critical illness rider is to provide funds to an insured who has suffered a catastrophic illness. Qualifying illnesses and circumstances vary by insurance company. Common qualifying events would be the need for an organ transplant, stage four renal failure, certain cancer treatments, etc. In other words, the condition is not necessarily terminal (within 12 months), but it is life-threatening and generally requires extreme medical intervention.

A critical illness rider is closer in structure to a terminal illness rider in that with most insurance companies, the critical illness benefit will be the lesser of 50% of the death benefit or $250,000. Most critical illness riders are included with the policy but have charges associated with implementing the claim. In a few circumstances the critical illness rider will be charged for, but then will offer more robust benefits.

SUMMARY

Having a good grasp of terminology can help a person better pinpoint the type of policy, the type of rider, or included policy features most valuable to an overall planning strategy.

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.

ASK THE ACTUARY

Willy Wonka and the LTC Insurance Factory

By Marc Glickman, FSA, CLTC®

DO YOU HAVE ANY LTCI QUESTIONS FOR THE ACTUARY?
Please submit them to Marc at marc@buddyins.com.

Disclosure: The author helps financial professionals and consumers connect with insurance specialists.

Dear Actuary,

What types of long-term care insurance products are you finding to be most popular amongst LTC specialist agents today?

Inquisitive in Iowa

Dear Inquisitive,

"Come with me and you'll be in a world of pure imagination…"
Willy Wonka

I have worked closely over the last several years with agents whose primary business is long-term care insurance. Many of them are very successful at offering traditional long-term care. Often these LTCi specialists have expanded their offerings to solve a wider range of client needs using a suite of different insurance tools.

I attended an LTCi conference last year featuring the latest product designs from a variety of insurance companies. A walk through the aisles was much like a walk-through Willy Wonka's Chocolate Factory. It turns out there is more to a chocolate bar than just sugar and chocolate: likewise, there is more to LTCi policy designs than just a limited, cookie-cutter approach. Clients have options. Multitudes of them.

The actuaries in the insurance company home offices have continued to cook up new recipes while still updating the classics. Broadly speaking, the three main ingredients that go into plan designs are health underwriting, pricing, and benefits. The top insurance products can typically excel at offering two of these three ingredients:

1. Good pricing and benefits, but tighter underwriting.
2. Easier underwriting and good pricing, but plans with limited benefits.
3. Easier underwriting with richer benefits, but premiums at a higher price point.

LTC specialists often start the conversation with a detailed health assessment after understanding why the client is interested in LTC planning. This allows them to focus on the best options for the client based on their health. The primary objective is to maximize insurance leverage or protection, which is the maximum LTC benefits at point-of-claim for the premium dollar. This allows the client to spend the least, but receive the most insurance benefits. For clients with significant health issues, LTC specialists are continuing to think out-of-the-box and offer alternative solutions.

Once health is assessed, LTC specialists evaluate the clients' financial situation. What assets are they looking to protect? How are the clients funding the plan? And last, but not least, what are they comfortable spending in the first place? This consultative approach will not only engage the clients in the buying process and answer their questions, but will often clearly point to the flavor of product that will suit them best. Along the way, funding strategies can emerge to provide additional tax savings or benefits. This adds the cherry to the top of the plan.

In Part 1, I discuss an overview of the major types of LTCi solutions on the market today in order from the most insurance leverage to the least. In Part 2, I discuss planning strategies and tax-advantaged funding sources. It is best to plan early to keep all of the options on the table, but even for someone already needing services, it is never too late to put an LTC plan together.

PART 1
LTCI PRODUCT FLAVORS

"We'll begin, with a spin…"

Traditional, or Stand-Alone LTCi
This is the original option. These policies are treated like health insurance by regulators and the IRS. The strength of these products lies in their affordability, insurance leverage, funding flexibility, and tax advantages. Like term life insurance, auto, or home-owners insurance, they provide the maximum coverage if you need the benefits, while hoping never to have to activate the policy. The number of insurance companies offering new traditional LTCi products has consolidated to a few core carriers. Yet, there are still a wide range of offerings and plan designs. Older LTCi policies that were underpriced have required rate increases. Newer policies are more conservatively priced, yet still offer an outstanding value proposition from the best products. LTCi has a higher likelihood of price stability moving forward largely due to more careful health underwriting and plan designs.

Hybrid Life Insurance with Extension of LTCi Benefits
These life products are designed to minimize the cost of the life insurance component and maximize the LTCi benefits. Many of the popular plans offer LTC protection beyond the life insurance death benefit and also compound inflation increases on the benefits. The premiums are often guaranteed and the life insurance death benefit is paid even if LTC is not needed. More products have emerged with funding flexibility and creative benefit designs. There are also products that pay cash indemnity benefits and more robust international coverage. Like traditional LTCi, hybrid plans are often more careful with health underwriting.

Most LTC specialists offer both traditional LTCi and hybrid life extension products for their healthier clients.

In this marketplace, about half of clients choose traditional and half choose hybrids.

Life Insurance with LTCi or Chronic Illness Benefits
These products focus mostly on the life insurance component, but offer flexibility to provide LTCi benefits up to the death benefit. The point-of-claim LTCi benefits tend to be more limited and the benefits generally do not increase with inflation. However, this allows the companies to provide richer life insurance features and in some cases the life insurance underwriting can be more favorable for the customer. While there are more policies sold in this category than the traditional or hybrids combined, most insurance plans are based on the life insurance features of the policy, and not necessarily because the primary need is the LTC benefits.

Annuities with LTCi Benefits

These products use the annuity account value to offer tax-free LTC benefits. Several products provide a multiplier on the account value when the client qualifies for the LTC benefits. These annuities may be liberally underwritten and may also be designed to maximize a guaranteed income stream in the future. These products are typically funded as a large single premium, so LTC specialists often use them with clients that have accumulated significant assets and who might have significant health issues.

Short Term Care (STC) Insurance

STC is a health insurance product where insurance companies have been offering shorter term care funding solutions. These products can provide up to one year of coverage often without an elimination period deductible for either facility care, home care, or both. The products have been approved by regulators in over 40 states, but are not approved at this time in CA, NY, CT, FL, MA, MN, NH, and VT. STC offers features, premium structures, and future rate stability that can vary by product or by state.

The popularity of STC amongst LTC specialists has been as an alternative to long-term care for individuals that have significant health issues, but are looking for more affordable premiums. Even limited benefits can help a family during a stressful time and allow them more flexibility to address the longer-term needs. They offer a reasonable pay-as-you-go price point, but as a product with less actuarial experience, may be subject to future rate increases depending on future claims data.

Medicaid Planning Products

Often families find themselves in situations where a parent or spouse is incurring significant out of pocket nursing home costs. The care provided might qualify under Medicaid services, but the individual is ineligible unless spending down most of the estate. LTC specialists can partner with a Medicaid planning attorney with programs designed to spend down the remaining assets in the estate with strategies such as using Medicaid compliant annuities.

PART 2
LTCI PLANNING STRATEGY TOPPINGS

"If you want to view paradise, simply look around and view it…"

With all of the different insurance product options, the age of imaginative product designs has commenced. There are high-end products aimed at affluent buyers and also affordable products with LTC Partnership protection for the middle market. There are tax deductible LTCi strategies for business owners and executives, and LTCi worksite programs that can be funded with health savings account (HSA) dollars.

There are strategies that can be funded from qualified IRA accounts or as a tax-free 1035 exchange of existing non-qualified life insurance or annuity products.

You can mix and match funding strategies and combine multiple products together.

With all of these additional planning ideas, many LTC specialists are beginning to feel like a kid in a candy store. Those agents that are not LTCi experts can be left, well, in a bit of a sugar coma. Never fear, this article will help you identify a planning solution to fit your client.

Lifetime Benefits and Shared Care

Innovation in LTCi product design has brought about the availability of lifetime benefits and shared care. Lifetime benefits provide an unlimited duration of coverage. Shared care can allow couples to also extend their own benefits at an affordable cost by sharing benefit pools or creating an additional pool of benefits.

LTC Partnership Program

Traditional LTCi can often be designed as LTC Partnership qualified in most states, which means that an LTCi product can protect the family in Medicaid spend-down situations. Traditional LTC insurance can pay the initial benefits for care when it is needed. In an extended long-term care scenario, the insured may still qualify for Medicaid services while still keeping assets equal to the amount that the insurance policy paid.

The decision to use this benefit will likely depend on the types of services that each state's Medicaid program offers in the future. Nonetheless this feature provides more financial flexibility, and in most states does not cost extra, besides selecting a policy with a minimum level of inflation protection. The four original LTC Partnership states of CA, NY, CT, and IN have unique programs and all have proposed redesigns to make them more accessible to the masses.

"What we'll see will defy explanation…"

Tax Deductions for Business Owners and Executives

Traditional LTCi and certain hybrids allow most business owners and their spouses to deduct LTCi premiums from business income as a business expense. The amount of the deduction may vary based on the tax structure of the business, the LTC portion of the premium in the case of hybrids, and the age of the insureds. The LTC benefits received from the policy are generally tax-free, so there is little downside to funding the premium with the business checkbook. Plans can be carved out for the business owners exclusively or for any group of employees based on criteria that the owner chooses. This allows for tax-deductible executive benefit programs and encourages employer funding of LTC plans in the worksite.

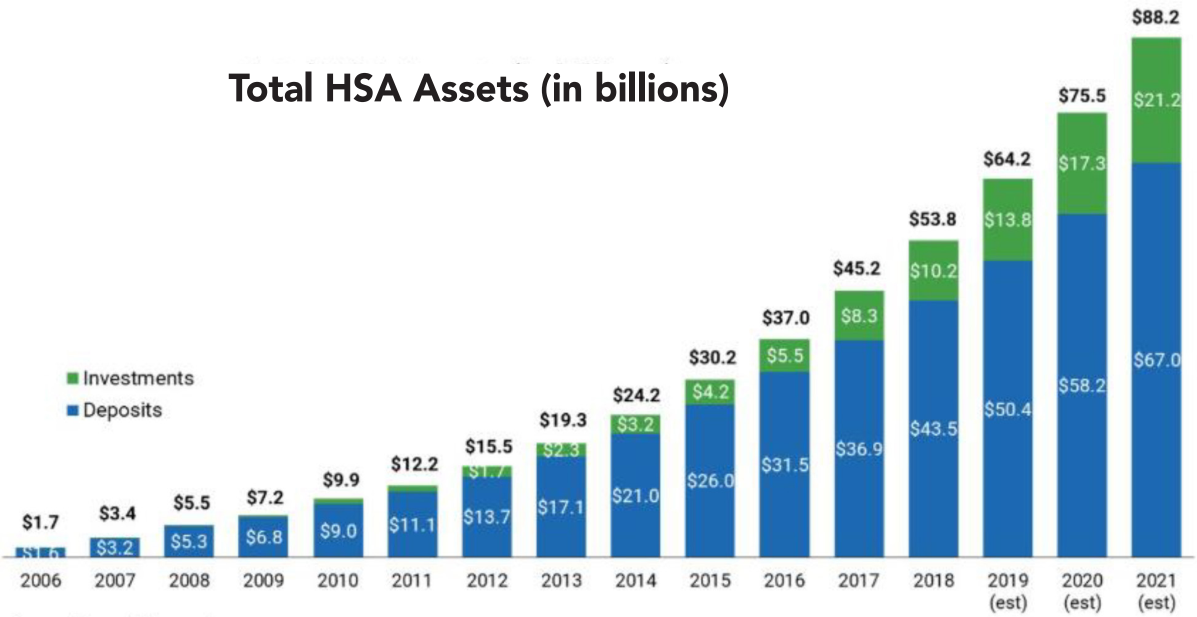
LTCi Worksite Marketplace

Rising like the Phoenix from the ashes is a sudden proliferation of LTCi solutions in the worksite. There are both traditional LTCi and hybrid solutions that are now available. There are fully underwritten unisex-priced plans with robust benefits or quasi-simplified issue plans for larger groups. Voluntary plans are often enrolled by LTC specialist firms or agents using one or several different products. However, tax deductible employer funding, even in small amounts, can encourage high participation rates. You may use a 401(k)-like approach where you define an LTCi contribution amount, and have the employer offer a matching contribution. You are limited only by your imagination.

Funding LTCi from Health Savings Accounts (HSAs)

With the Affordable Care Act and increased popularity of high deductible health plans, there is suddenly more money accumulating in HSAs. In 2008, there was approximately $5 billion in HSAs. In 2019, this is expected to top $60 billion. HSAs can be used pre-tax to pay LTCi premiums or the LTCi portion of certain hybrid product premiums, up to the annual age-based IRS limit. Either spouse's HSA may be used to fund both spouses' LTCi plans.

realize that looming long-term care costs can be solved with an array of insurance solutions already available in the market.



Source: Devenir Research

1035 Exchanges

The Pension Protection Act allowed another significantly tax-advantaged sales opportunity for both traditional LTCi and hybrid policies. For individuals who own a non-qualified annuity, they can take both the principal and tax-deferred gains and move the money over through a 1035 tax-free exchange to pay the premiums for traditional LTCI or an annuity with an LTC rider. Non-qualified life insurance can also be exchanged tax-free into traditional LTCi or Life with an LTC rider. LTC benefits can still be received tax-free.

THE BOTTOM LINE

"Wanna change the world? There's nothing to it…"

There are many different LTCi planning solutions available to serve the over 100 million individuals in the U.S. who are planning for or have reached retirement. Additionally, many of those in the sandwich generation, are currently dealing with the burden of paying for long-term health care costs for one of their relatives. The majority of them do not

Going forward, I expect to see continued innovation addressing many of these market segments with carriers gravitating toward the most popular solutions. The government has also been receptive over the past few years to supporting private alternatives and increasing existing tax incentives since the majority of the long-term care burden eventually falls on state and federal budgets through Medicaid. Luckily, this looming crisis can still be prevented from becoming a catastrophe. The cost of insuring against this future risk is accessible to many Americans, especially if they plan in advance, while they are still healthy enough to qualify for all of their options.

MARC GLICKMAN
FSA, CLTC

Marc is CEO and Founder of BuddyIns.com; a community of long-term care planning experts. His mission is to help families across the country get an LTC plan and to support the 44 million caregivers in the US. Marc is an actuary by profession and a licensed insurance agent. He is a graduate of Yale University with a degree in economics. He lives in Southern California with his wife and two kids.