

CASE STUDY

LTC Planning Consideration for Women

CLIENT PROFILE:

- Women between the ages of 50-80
- Those with existing traditional long-term care (LTC) policies that have increasing premiums
- Clients with existing nonqualified annuity policies that are out of surrender and not needed for income; often labeled as a "rainy day fund"

THE CHALLENGE:

- Nearly 70% of individuals turning age 65 today will need some type of LTC during their lifetime¹
- This likelihood is even greater for women, who statistically outlive their male counterparts²
- With a longer life expectancy comes a higher probability of needing care as health diminishes³ and, while women are often the caretakers for their husbands, they are more likely to be left without a caretaker themselves once their health declines⁴

Because of this, ensuring that your female clients have an LTC plan is more critical now than ever. To protect existing portfolios from spend-down, here is a real-life case study to see how this can play out.

HOW IT WORKS - A CASE STUDY:

- Susan is a 77-year-old woman
- She has an existing traditional LTC policy that has an inflation rider
- For the second time, the premiums on her policy are increasing, making the policy more expensive than she can afford; she doesn't want to lose her benefits by canceling the policy entirely

THE SOLUTION:

Through further conversation, Susan's financial advisor identifies that she also owns a nonqualified variable annuity with an income rider. The annuity has a current balance of \$225,000 with \$50,000 of interest gain. However, Susan no longer needs the income, and she is paying around 3.5% in fees each year. Susan simply intends to use the annuity as an emergency fund or leave it to her son as a legacy.

LONG-TERM
CARE



Today, more than
two out of three
nursing home
residents are women⁵

THE BREAKDOWN:

- Reduce the premiums on the current LTC policy by dropping the inflation rider, which keeps the policy affordable
- Additionally, with a tax-free 1035 exchange of her current variable annuity balance of \$225,000 to a linked-benefit LTC annuity, this will generate \$7,075 in benefits per month for Susan starting at age 85
- Through the Pension Protection Act, these benefits—including the \$50,000 of interest gain in the contract—will be paid out to Susan completely income tax-free to pay for qualified LTC expenses
- If she doesn't end up needing to use the benefit for LTC, her account balance is left as a death benefit to her son

This strategy not only allows Susan to retain her existing LTC coverage, but by repositioning an idle asset, she also reduces fees, converts taxable gain into tax-free benefits, and protects the remainder of her portfolio from spend-down. In addition, this solution does not require Susan to go through health underwriting.

YOUR NEXT STEPS:

1. Identify clients, especially women, you serve who do not currently have an LTC plan in place, or clients who have existing insurance policies that should be reviewed to determine if they are still meeting the client's goals.
2. Schedule an appointment to evaluate their assumptions and expectations around LTC. (*What does LTC mean to them? If they experience an LTC event, who would they like to take care of them? Where would they want to live? How do they plan on paying for it?*)
3. Discuss various LTC planning strategies and the impact each option could have on their overall financial goals.
4. Contact your Palladium Group expert to explore various LTC strategies or to review existing insurance policies.

CONVERSATION STARTER:



You've worked diligently to accumulate wealth over the years with intentional goals in mind, such as traveling the world, investing in a business, enjoying your retirement, or leaving a legacy to your loved ones or favorite charity. If you experience an LTC event without a plan in place, it could jeopardize these goals.

Let's explore options to protect your assets, safeguard your legacy, and ensure that if you do experience an LTC event, you'll have the highest quality care possible without leaving your family to worry."

¹<https://aspe.hhs.gov/reports/what-lifetime-risk-needing-receiving-long-term-services-supports-0>

² Arias E, Xu JQ. United States life tables, 2017. National Vital Statistics Reports; vol 68 no 7. Hyattsville, MD: National Center for Health Statistics, 2019.

³ AARP, "Long-Term Support and Services," March 2017

⁴ https://www.agingstats.gov/docs/LatestReport/OA20_508_10142020.pdf

⁵ <https://www.caregiver.org/resource/selected-long-term-care-statistics/>