

Long Term Care Concerns & Planning

Fireman Annuity Benefit Fund of Chicago

2023 Spring Pre-Retirement Seminar

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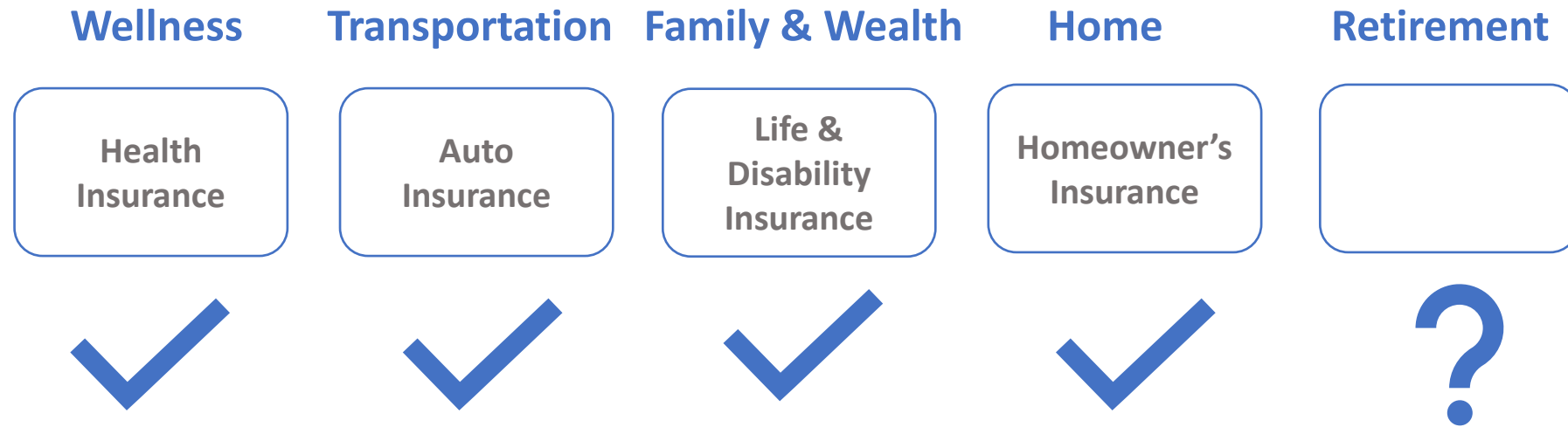
- Three GALTCP principles with 100 years of combined LTCI expertise
- Represent highly rated carriers
- Licensed nationally
- Experienced Administrative Staff
- Have helped clients collect tens of millions of LTCI benefits
- Gordon Associates has worked with financial Professionals for over 30 years

About Gordon Associates Long Term Care Planning

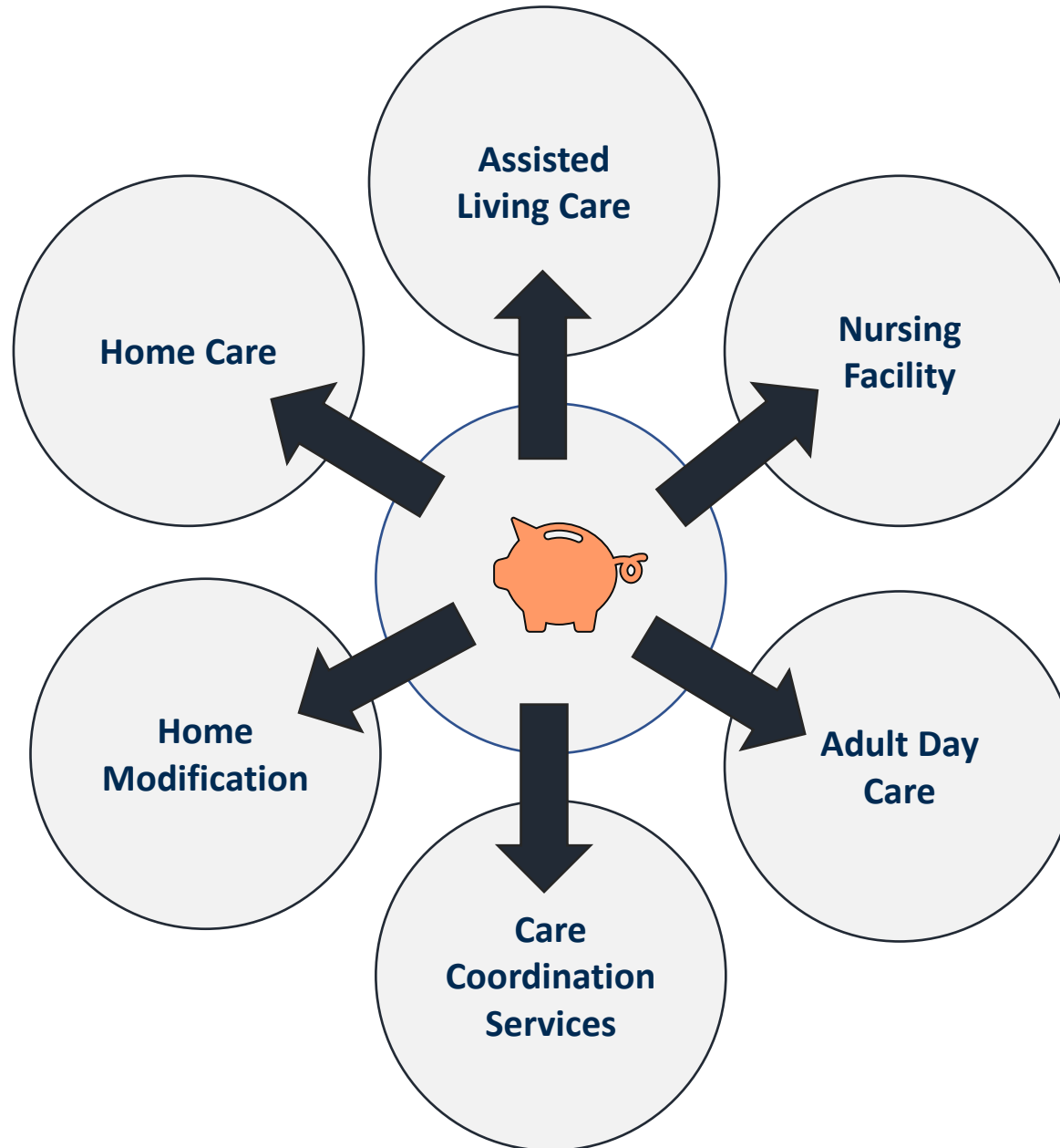
Most Would Agree.....

- That they could live a long life.
- Understand it's possible that they could become frail and need care as they age.
- That they will consider taking action if they understand that needing care could have serious consequences to their family and retirement portfolio.

Risk Management and LTC



Long Term Care



Primary LTC Funding Options

You and Your Family

Self-fund

Medicare

VA

Insurance

Medicaid

States to Tax Employees?



Insurance Options

Traditional LTC
Insurance
(LTCI-7702B)

Linked Benefit
(Hybrid-
7702B)

Life Insurance
with LTC Rider
(101g)

Chronic Illness
Policy and/or
Rider

Short Term
Care
Insurance



Who Needs Care

According to the U.S. Department of Health and Human Services, most people turning age 65 will need long-term care services at some point in their lives* Claims data shows that women receive more care than men

- Women- 69%
- Men- 37%
- Average age when claim begins- 78



Where Care is Given

Most people receive long-term care services at home. Most long-term care insurance policies pay benefits to policyholders for care they receive in whatever setting is right for them, including:

- At home- 52%
- In assisted living facility- 26%
- In nursing home- 22%



Why People Need Care

Chronic conditions make people more likely to need long-term care services. The most common conditions for which we pay long-term care claims include:

- Dementia
- Heart Disease
- Arthritis

Data based on Mutual of Omaha's internal claims data, 2019.

Chicagoland Home and Facility Care Cost

Home Care \$32-\$45+ per hour

8 hours of care \$256-\$360

24/7 Home Care \$350-\$575 per day

Assisted Living \$5,500-\$15,000+ per month

Skilled Nursing \$12,000-\$20,000 per month

2023 Eligible LTCL Premiums

Insured's Age EOY	Eligible Premium
40 or under	\$480
41 – 50	\$890
51 – 60	\$1,790
61 – 70	\$4,770
71 or older	\$5,960

Note: Eligible premium changes each year based on IRS indexing

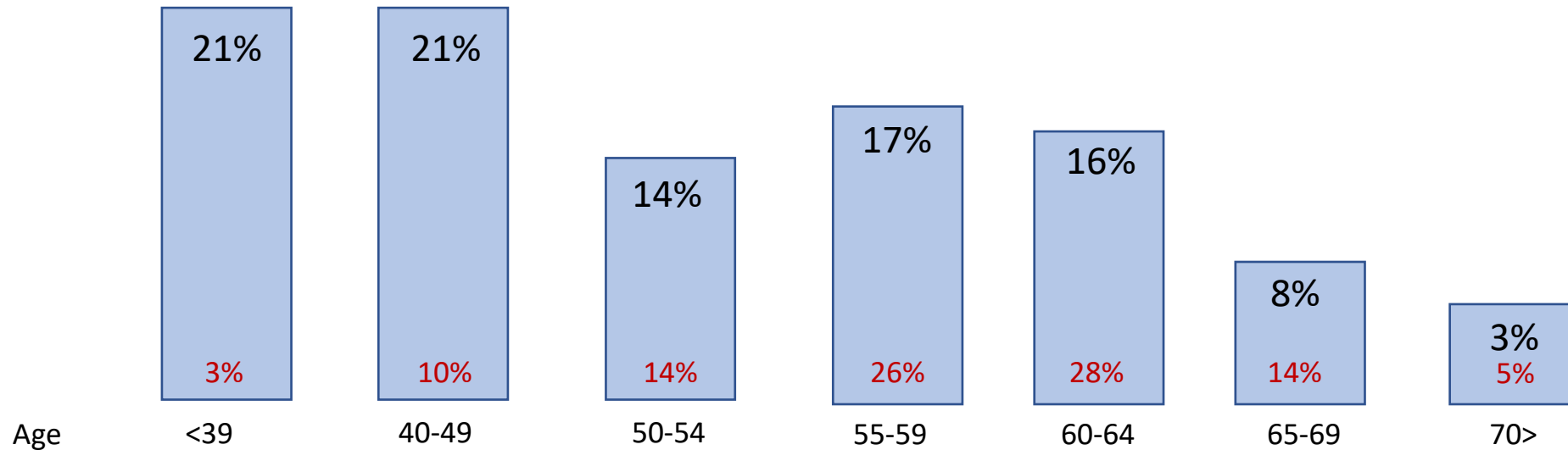
Rev. Proc. 2021-45

Tax-Free Benefits

- All benefits paid from a reimbursement policy are tax-free regardless of amount paid.
 - Reimburses for actual, out-of-pocket, "professional" care
IRC 7702(a)(2), 7702B(d), 105(b)
- Indemnity (and cash benefit) payments ("per diem") are tax-free, up to the first \$420 per day (2023), unless the actual cost of care received exceeds this amount.
 - Example: \$500/day benefit with less than \$420 in actual care costs = \$80 taxable income.
 - If \$500+ actual care costs (with receipts) = tax-free benefits.
Rev. Proc. 2021-45; IRC 213(d)(10)

LTC Insurance Issue Age 2021*

Traditional LTC Insurance- Sales by issue age 2021
*Includes Washington State; Number in RED are 2020 prior to WA



*Source: 2022 Millman Long-Term Care Insurance Survey , July 2022

Other Legislation Being Considered in Washington D.C.

- **WISH Act- a.k.a. Well-Being Insurance for Senior to be a Home Act.**
 - Would Charge 0.6% payroll tax (50/50 cost share by employee and employer)
 - Elimination period 1-5 years- means-tested by income
- **Social Security Caregivers Credit Act- Would Provide retirement compensation in form of Social Security credits to individuals forced to leave workforce to care for loved ones.**
- **Better Care Better Jobs Act**
 - Would expand Medicaid to home and community-based services (Biden initially proposed \$400B)
 - Increased wages and benefits for paid caregivers
 - Funded by Medicaid's HCBC (home and community-based services) federal budget
- **Credit for Caring Act- would create a non-refundable tax credit up to \$5,000 for caregivers**
- **The Long-Term Care Affordability Act (Sen. Pat Toomey)**
 - Would allow use of qualified money to purchase LTC insurance
 - Up to \$2,500 a year to pay premium
 - No income or pre-age 59 1/2 penalty or distribution used.

Male/Female 55
Partner/spousal
discount included

	Hybrid Life/LTCI	Hybrid Life/LTCI	Stand-Alone Traditional
	SecureCare III Individual Policies	Asset Care Shared Policy	EssentialLTC Shared Policy
Initial LTC Benefit for Facility & Home Health Care (HHC) Today	\$6,000/Month per person	\$6,000/Month per person	\$200/Day per person
Inflation Rider (grows the benefits annually)	3% Compound	3% Compound	3% Compound
Future LTC Benefit Facility & HHC at Age 85	\$14,563/Month per person	\$14,563/Month per person	\$485/Day per person
Benefit Period (length of coverage)	6 Years of Coverage per person	Lifetime Coverage per person	6 Years of Coverage per person
LTC Benefit Initial "Pool" of Money Today (max policy can pay)	\$465,725 per person	Unlimited per person	\$438,000 per person
Future LTC Benefit "Pool" of Money at Age 85	\$1,130,438 per person	Unlimited per person	\$1,063,140 per person
Elimination Period (deductible – out of pocket time)	90 Days HHC & Facility per person	0 Days HHC & 90 Days Facility per person	90 Days HHC & Facility per person
Benefit Form (how the carrier pays out benefits)	Cash Indemnity*	Reimbursement**	Reimbursement**
Life Insurance Benefit (also known as the death benefit)	\$144,000 per person (LTC payouts reduce the death benefit dollar for dollar)	\$200,000 2nd to Die (LTC payouts reduce the death benefit dollar for dollar)	N/A
Residual Death Benefit (guaranteed minimum life ins. payout)	\$10,000 per person	N/A	N/A
Partnership Plan (protects against Medicaid asset limits)	N/A	N/A	Eligible
Premium Information	<u>Single Lump Sum Payment</u> \$83,981 Male \$97,964 Female <u>5 Annual Payments</u> \$18,290 Male \$21,310 Female <u>10 Annual Payments</u> \$9,849 Male \$11,483 Female <u>15 Annual Payments</u> \$8,143 Male \$9,498 Female All Premiums are Guaranteed	<u>Single Lump Sum Payment</u> \$282,830 Shared Total <u>5 Annual Payments</u> \$67,536 Shared Total <u>10 Annual Payments</u> \$36,464 Shared Total <u>20 Annual Payments</u> \$22,080 Shared Total <u>Lifetime Annual Payments</u> \$16,710 Shared Total All Premiums are Guaranteed	<u>Single Lump Sum Payment</u> \$185,052 Shared Total <u>10 Annual Payments</u> \$21,756 Shared Total Guaranteed Premiums <u>Lifetime Annual Payments</u> \$7,339 Shared Total Subject to Rate Increases

What's the Best Fit?

SELF FUNDED

Pros:

- Zero up-front costs while retaining liquidity

Cons:

- Not a healthcare plan
- No care coordination benefit
- Tax-Market timing consequences

ASSET BASED HYBRID

Pros:

- Standardized benefit trigger
- 1035 exchanges
- Tax Advantages
- Maximizes flexibility and provides a substantial benefit for a long-term care insurance event
- Flexible payment options
- Return of Premium
- Guaranteed premiums
- Life Insurance and LTC Benefits

Cons:

- Opportunity cost (if single premium option is selected)
- Not the same tax advantages for business owners

Basic Steps of a Claim

- 1) Policy review
- 2) Submit HIPAA forms for Gordon Associates and person(s) involved,
+/- Financial POA
- 3) Determine type of care needed
- 4) Choose care provider
- 5) Provider/ Facility Review
- 6) Initiate the Claim
- 7) Complete and return the claim packet
- 8) Complete Nurse Assessment, if needed
- 9) Meet Elimination Period
- 10) Waiver of Premium

Resources for seniors and their families:

homethrive

www.homethrive.com/careguides

AGING (i)fe CARE
ASSOCIATION

www.aginglifecare.org

HomeHealthCare
AGENCIES.com

www.homehealthcareagencies.com

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If you, your family, or clients need assistance

- **Innovative LTC planning ideas**
- **LTCI quotes & applications**
- **LTCI education & support**
- **Medicare Supplements**
- **Term Life solutions**
- **Claims assistance & consultation**

Take Aways



- Consequences of a long-term care event are the family's emotional and physical wellbeing then financial.
- Paying for care disrupts every plan in place.
- Assets don't pay for care; income pays for care.
- Insurance mitigates consequences.

For Quotes, Questions or Reviews

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