LTC PLANNING STRATEGY

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.

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

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.

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.

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.