Want to talk today about the basic components of the LTC policy along with some thoughts on those components as well as some of the combination type products that include the LTC care coverage.

So, with that in mind, we will take a look at what we mean by Tax Qualified Plan….

Review Agenda Items

**Tax Qualified Plans**

Legislation has given some Tax benefits to LTC coverage provided they meet some requirements..

Benefits received are tax free is to meet actual expenses and are tax free even if not all needed for expenses up to a per diem of $330 per day.

Premiums paid in are deductible as medical expense subject to the 10% floor of AGI

Also subject to limitations as to amount by age group. 50-60 can deduct up to $1,530 and 60-70 can deduct up to $3,800.

**Benefit Triggers**

Two ways to qualify. One is physical and one is cognitive

The physical deals with daily living kinds of things and the other is cognitive

The physical requires at least two of the ADLs to be met. There they are.

Cognitive does not have physical requirement like that and is impossible to qualify even if not immediately showing symptoms

Once found to be critically ill, qualify for any kind of LTC and not just nursing home care. Could be nursing home care.

**Benefit Amount**

Good idea to look at skilled nursing facility even if there is a good chance for home health care as protection against worse case

Can think of the benefit amount as a pot of money (monthly benefit vs. length of benefit) which can be extended if the actual expense is less than the benefit amount. Three years can become longer if find cheaper care. Can get paid just by being chronicall ill.

**When benefits begin**

LTC uses an elimination period which is period of time that LTC does not cover and is up to insured to cover dating from when declared chronically ill.

Similar in concept to deductible in health insurance.

Strictly speaking Medicare does not pay for just custodial care but does pay for if there is rehabilitation or therapy involved

**Duration of Benefits**

AARP’s most recent data has average LTC stay at 2.3 years. Not that long. Think of the severity of ADL. Longevity outlook is not good.

**Inflation**

Can be most important piece to policy for two reasons: one is the length of time between purchase of policy and claim and second is the inflation inherent in medical care

Need to be able to tell client what happens if they can no longer afford the inflation rider in their policy.

Three options: (1) Does the benefit amount go back to the beginning of the policy (2) Does it stop with whatever benefit it was paid to or (3) some other re-calculation

Compound vs simple- can be significant difference over a period of time. Benefits computed at time policy purchased or from the last payment?

People buying late in life can work with simple while those buying earlier in their 50s or 60s would need compound

**Cash v Expense Reimbursement**

Cash is easy to explain to client. All you need is to be declared chronically ill.

Can be used for home health care or whatever expense

**Combo Life Insurance/ LTC Policies**

Created to meet the objection to LTC of what happens if not used or needed or the fact is has no cash value

Advantage is cost is guaranteed. Will not be any increases in premiums

Riders can be cash or expense related and always should be TQ

Disadvantage is that the LTC cannibalizes the Life insurance

**Annuity/ LTC Rider**

Good match because both help protect against living too long and running out of money