

ADAPTING TO **CHANGE**

The Latest Developments in Long-Term Care Solutions

Presented by:
Sharon R Luker, CLTC, MBA
LTC Planning Consultants

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DEFINITION: LONG TERM CARE NOW “EXTENDED CARE”

“A variety of services which help meet both the medical and non-medical needs by providing support for people with a CHRONIC illness or disability who cannot care for themselves for long periods, usually greater than **90 days**.”

WHAT IS LONG-TERM/EXTENDED CARE?



ACTIVITIES OF DAILY LIVING (ADLs) UNABLE TO DO 2 OUT OF 6



Bathing



Dressing



Eating



Transferring



Toileting



Incontinence

WHAT IS LONG-TERM/ EXTENDED CARE?



ALSO COGNITIVE ISSUES

ALZHEIMERS

DEMENTIA

NOT
NECESSARILY
FORGETFULNESS

MUST BE
SEVERE THREAT
TO YOURSELF

TYPES OF CARE

- Homemaker Services
- Home Health Aide Services
- Adult Day Health Care—usually for cognitive issues
- Professional Home Services---ie Physical Therapy
- Assisted Living Facility
- Nursing Home Care (semi-private)
- Nursing Home Care (private room)
- Hospice
- Rehab-Skilled Nursing Facility or Acute Hospital
Rehab ARE NOT LTC



Dallas Area, TX

Monthly cost

2023

Home Health Care	
Homemaker Services	\$5,339
Homemaker Health Aide	\$5,720

Based on annual rate divided by 12 months (assumes 44 hours per week).

Adult Day Health Care	
Adult Day Health Care	\$1,950

Based on annual rate divided by 12 months.

Assisted Living Facility	
Private, One Bedroom	\$5,241

As reported, monthly rate, private, one bedroom.

Nursing Home Care	
Semi-Private Room	\$5,688
Private Room	\$7,178

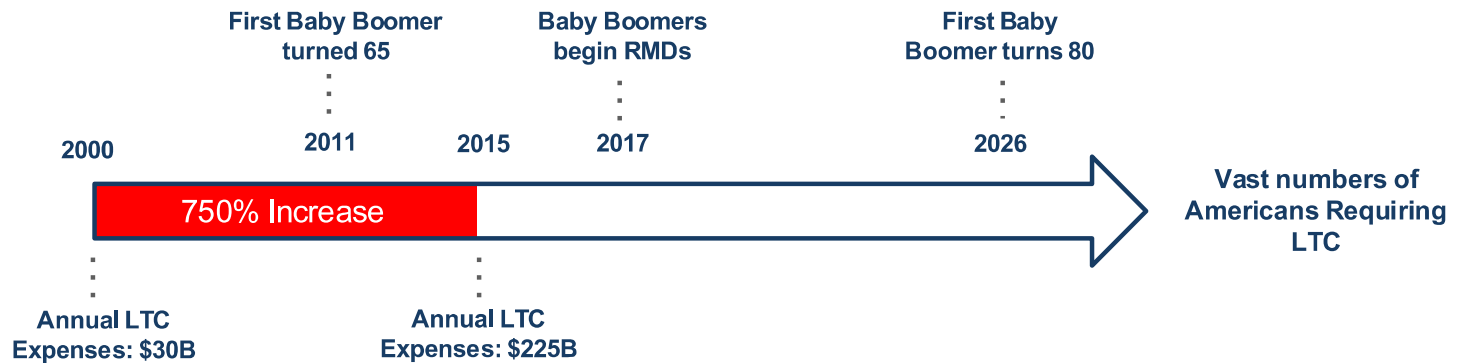
Based on annual rate divided by 12 months.

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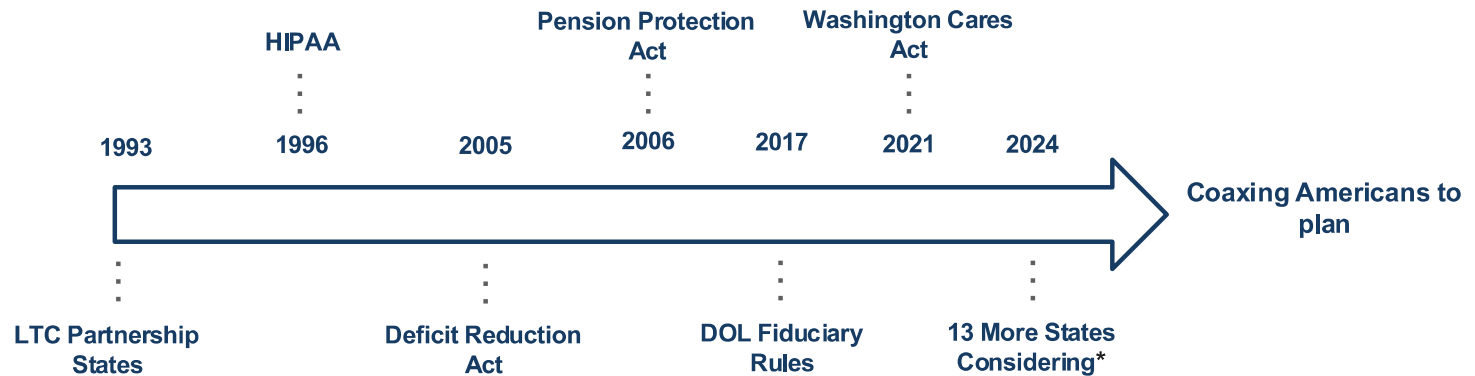
FUTURE MONTHLY COSTS IN 25 YEARS

Home Health Aide Services	\$17,000
Homemaker Services	\$16,000
Assisted Living	\$15,000
Nursing Home (semi-private)	\$21,000
Nursing Home (private)	\$25,000

The Silver Tsunami



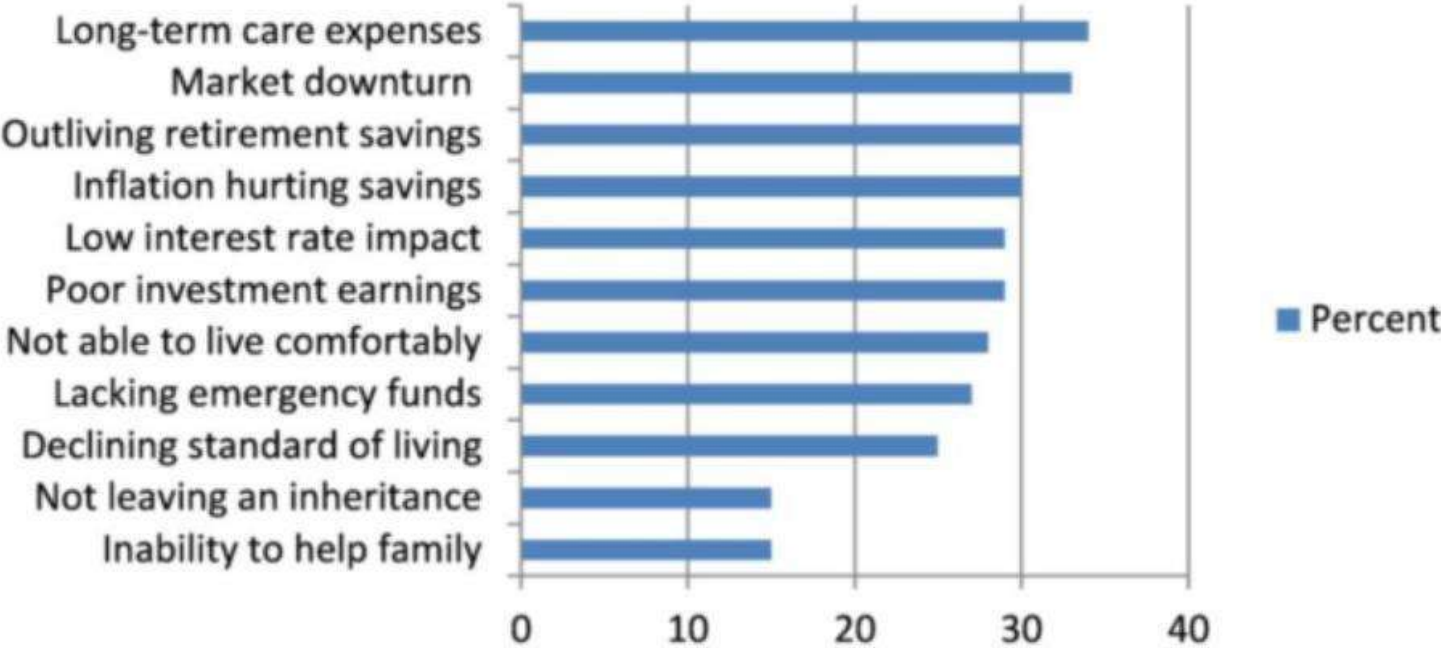
Signs the Government is Preparing



*California, Oregon, Hawaii, Michigan, Alaska, Illinois, Minnesota, Missouri, Colorado, New York, North Carolina, Utah.

Financial Concerns in Retirement

(Source: 2018 Guaranteed Lifetime Income Study)



<https://insurancenewsnet.com/wp-content/uploads/2018/03/Study-900x541.png>

Respondents rank their key financial concerns about retirement.

THE GAME HAS CHANGED

CLIENTS KNOW THEY MUST PLAN FOR EXTENDED CARE EXPENSES

CLIENTS EXPECT YOU TO BRING UP LONG-TERM CARE PLANNING

CLIENTS WANT IT TO BE A PRIORITY IN THEIR FINANCIAL PLAN

CLIENTS WANT TO BE EDUCATED ON LTC COSTS AND ITS POTENTIAL EFFECT ON RETIREMENT PLANS

CLIENTS WANT TO KNOW SOLUTION CHOICES AND TAX IMPLICATIONS

Planning for long-term care

Why LTC isn't a place

Clients think of “long-term care”
as a place



Nursing home

BUT

Long-term care is really an event

Long-term care is a financial event that
takes planning, just like any other event







- We plan financially for weddings and college educations
- We plan financially for retirement

LTC is the missing piece in the retirement planning puzzle

Planning for long-term care

What LTC coverage can provide

A plan to cover long-term care costs can help:

-  Provide funds to make home-based care more suitable
-  Maintain the current lifestyle of the healthy spouse
-  Pay for informal or professional caregivers, which can help alleviate stress on the spouse and family
-  Preserve retirement income to make home-based care financially possible
-  Preserve assets for a financial legacy for heirs or charity
- 

HOW TO DISCUSS EXTENDED CARE WITH CLIENTS

- EDUCATE CLIENTS
 - Explain costs and probability
 - Illustrate Financial Impact in Plan
- UNDERSTAND GOALS & PREFERENCES
 - Ask Open Ended Questions
 - Understand Clients Preferences
- CUSTOMIZE RECOMMENDATIONS
 - Financial Situation
 - Health Status
 - Risk Tolerance
- PRESENT OPTIONS
 - Look at Funding Options and Tax Implications
 - Work with a LTCi Specialist for Customized Design
- REVIEW REGULARLY
 - Life Changes
 - Inflation
 - New Financial Strategies /Products

OPEN ENDED QUESTIONS

- Incorporate Fact LTC Finding Questions Into your Fact Finder
 - Do You Live By Yourself?
 - Do you have someone that could help you stay at home?
 - If you needed care, where do you see it happening?
 - Do you plan on moving to be close to care giver? Where is that?
 - If at home, will be the person helping you be capable and healthy enough to provide care?
 - Have your parents or a loved one ever needed care? How did that go?
 - Do you have family that is close?
- What assets do you plan on using if you need care?
 - Do you plan on paying for care out of income?
- What is your family history of needing care?
- How is your health? Are you on very many medications?
- Who do you want to make care decisions for you?
- Have you discussed your wishes with your family or loved ones?
- Foster extended care discussions with your clients and their families

Facts You Must Gather First Before Funding Solution

- ✓ Marital Status
- ✓ Age
- ✓ Gender
- ✓ Residence
 - ✓ Where do you plan on living in the future? International?
- ✓ Veteran
- ✓ On Medicaid?
- ✓ Health Status
- ✓ Financial Picture
- ✓ Composition of Assets
 - ✓ Type
 - ✓ How Much?
- ✓ Desires of client
- ✓ Tax Adverse
- ✓ Own a Business

Plan of Care

Plan for Care

Written Plan of Care for _____ Date: ____/____/____

Family / Friends to notify immediately _____

Attorney / CPA / Trustee / Other _____

Banker / Financial Advisor(s) _____

What experience do you have with any family or friends needing care? _____

Do you believe you could live a long life and need help from others for your care? YES NO

If no, please explain _____

You may never need care, but if you did:
How would it affect your family? (Physically, emotionally, financially) _____

Any other concerns? _____

If you ever need care, would you like to:

- preserve your ability to choose
- decide now where you will receive care
- defer this decision until later
- defer this decision to someone else
Who? _____

Where would you want to receive care?

- Your home
- Your child's home
- Assisted living facility
- Nursing home facility
- Other _____

Who do you want to physically provide care?

- Your spouse
- Your child
- A professional caregiver
- Other _____

Who do you want to be responsible for coordinating your care?

- Your spouse
- Your children
- A professional care coordination service
- Other _____

PLAN OF CARE

How will you generate the income every month to pay for your care needs?

1. Which asset first? _____
2. Which asset next? _____
3. Which asset next? _____
4. Which asset next? _____
5. Which asset next? _____
6. Children / Family will pay for it. _____

What other planning have you done?

- Living will
- Health care directive
- Power of attorney
- Trust
- Other _____

My policy information

LTC

Carrier: Name, Address, Phone _____

Policy number, Primary Beneficiary(s) _____

Contingent Beneficiary(s) — if applicable _____

Life Policies

Carrier: Name, Address, Phone _____

Policy number, Primary Beneficiary(s) _____

Contingent Beneficiary(s) — if applicable _____

Annuity

Carrier: Name, Address, Phone _____

Policy number, Primary Beneficiary(s) _____

Contingent Beneficiary(s) — if applicable _____

Printed Name, Relationship	Signature	Date (MM/DD/YYYY)
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____

Note to Financial Professional: Please file this document in your confidential client files and do not forward to the OneAmerica home office.

Planning for extended care cost

Long-term care is generally paid for by:

Lifestyle

Opportunity Cost is the potential loss of health, well-being or earning ability of a spouse
Higher medical costs

Income/Assets

Dollar-for-dollar expenditure of your clients' money

Insurance

Cost-efficient leveraged benefit amount

Guide to Long Term Care Funding Solutions

Which type of insurance is best?

There is no “best” product when it comes to long term care insurance (LTCi). It depends on your goals and what you can afford over the long term. BuddyIns LTCi specialists use a broad portfolio of products and carriers. This allows them the greatest latitude to structure a solution that fits your needs.

Solution Type	Top Features	Limitations
<p>Traditional LTCI Protect your assets from an extended healthcare event.</p> <p>Ideal for clients who are funding with income.</p> 	<ul style="list-style-type: none"> More affordable recurring pay 10-pay option Shared care for partners Inflation protection May use HSA/HRA/MSA to fund premiums Tax-deductible for business owners Dollar-for-dollar asset protection from Medicaid in many states- Partnership Plans Customizable 	<ul style="list-style-type: none"> Conservative underwriting Premiums may rise Use it or lose it - no return of premium
<p>Short Term Care Alternative to standalone LTC for up to 1 year.</p> <p>Ideal for older ages, those with health challenges or coverage gaps.</p>	<ul style="list-style-type: none"> Products available for older ages Can pay in addition to Medicare benefit Some have cash payout for home care (no bills/receipts) Easier to qualify based on health or height/weight Many have a 0-day elimination period and can be used in addition to other coverages 	<ul style="list-style-type: none"> Not available in all states Limited inflation protection In most cases, the benefit period is limited to one year for facility and one year for home care

REIMBURSEMENT vs INDEMNITY vs CASH INDEMNITY

REIMBURSEMENT

- Only actual LTC costs are reimbursed
- Bills/receipts must be submitted to determine reimbursement amount
- Some companies work directly with provider to bill and reimburse for qualifying LTC expenses
- Benefit limitations. Non-qualifying services must be paid out of pocket
- Licensed providers are generally required
- **STAND ALONE POLICIES, HYBRID LIFE, ANNUITIES, LIFE WITH CHRONIC RIDERS**

INDEMNITY

- Full monthly LTC benefit paid to owner
- Some insurers do not require monthly proof of billed services
- Licensed provider must be used to meet minimum standards of the physicians care
- Excess benefits not needed for care can be used for any purpose
- **SHORT-TERM PLANS**

CASH INDEMNITY

- Full monthly LTC benefit paid to owner
- No bills or receipts to submit in order to collect monthly LTC benefits
- Insurer places no restrictions on how LTC benefits are used- may be as desired
- Total care from informal or family caregiver allowed
- **SOME ANNUITIES, HYBRID LIFE PLANS**

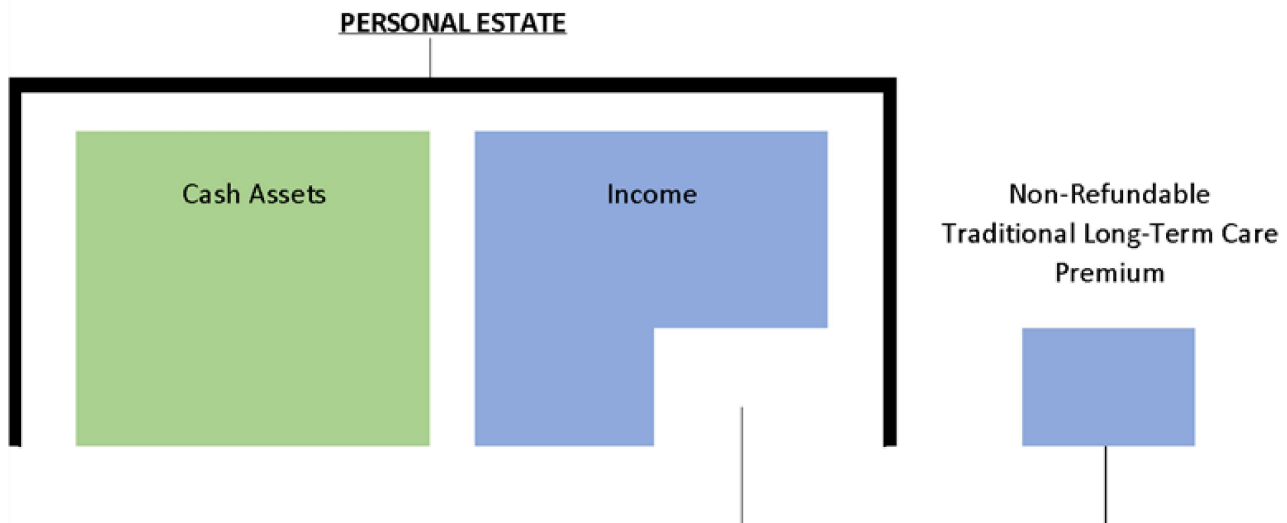
SHORT-TERM/EXTENDED CARE PLANS

BIGGEST DEVELOPMENT IN INDUSTRY IN YEARS

- Separate Policies---Facility and Home Health Care (1 is a rider)
 - Ages 45-89 Great for older clients!
 - Simplified Underwriting – Easier to Get Policy
 - Benefits are Indemnity---Pays CASH up to Daily Limit on Days Care is Needed
 - Paying for Days----NOT Pool of Money Like Traditional LTCi
 - 1 Year benefit BUT Once Off Claim Benefits are Restored after 180 days---up to 2x
 - Benefits Can Go Up to \$500/day
 - Acts separate from Medicare ---Great to use when Skilled Nursing Coverage is denied
 - Can combine with other strategies
-
- Example Pricing: Couple both age 70 \$200/day each for facility and home health \$0 Elimination \$319/month for BOTH


TRADITIONAL LTC INSURANCE PLAN

ILLUSTRATION OF THE EFFECT OF
TRADITIONAL LONG-TERM CARE INSURANCE
ON PERSONAL ESTATE



Hybrid products explained

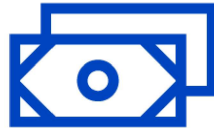
Traditional long term care insurance products may not be the best fit for everyone. That's why we offer insurance solutions that include other product types. These hybrid products may be better suited for those who cannot qualify for traditional LTCi or who may want LTC coverage without worrying about premium increases. These products also offer value if long term care is never needed.

Solution Type	Top Features	Limitations
<p>Life Hybrid with LTC Extension (3 in 1) Protect your assets from an extended health care event, retain max flexibility.</p> <p>Ideal for those who are funding with assets or income.</p> 	<ul style="list-style-type: none"> ✓ Combines a life insurance product with an accelerated death benefit and LTC extension rider (3 in 1) ✓ Tax-free life and LTC benefits ✓ Flexible payment options ✓ Guaranteed premium and cash value ✓ May offer cash payout with no bills/receipts ✓ May offer tax advantages for individuals, business owners, and HSA/HRA/MSA funding 	<ul style="list-style-type: none"> ⊖ Opportunity cost if funding with assets ⊖ Not the same tax advantages for business owners on the life insurance portion
<p>Life Hybrid with LTC/CI Rider (2 in 1) Maximize your death benefit while retaining moderate flexibility.</p> <p>Ideal for younger ages with more of a life insurance need.</p>	<ul style="list-style-type: none"> ✓ Combines a life insurance product with an accelerated death benefit (2 in 1) ✓ Retain liquidity and flexibility ✓ No premium increase to worry about ✓ Not paying for unused benefits ✓ No claims process 	<ul style="list-style-type: none"> ⊖ No inflation protection ⊖ If LTC is needed, death benefit reduced ⊖ Higher premiums to optimize LTC benefits ⊖ Benefits may be determined at time of claim
<p>Annuity Hybrid with LTC Multiplier Reposition an asset to provide immediate tax-free LTC coverage.</p> <p>Ideal for older ages or those who have health challenges or are funding with assets.</p>	<ul style="list-style-type: none"> ✓ Tax-free LTC benefits ✓ Easier to qualify based on health or height/weight ✓ Allows tax-free 1035 exchanges from annuities to allow benefits to be paid tax-free 	<ul style="list-style-type: none"> ⊖ Requires lump sum funding ⊖ Limited inflation options ⊖ Fewer carriers and not available in all states ⊖ Cash or Reimbursement model with 90-day elimination period

Advantages of a life linked-benefit policy



Offers a guaranteed premium, LTC benefits and death benefit¹



Pays a death benefit if the insureds do not use their LTC benefit



Provides immediate leverage resulting in a guaranteed pool of long-term care benefits

¹ The insured must meet the LTC claims requirements. Benefits may be taxable under certain circumstances. Clients should consult their tax adviser.


Funding Options

- **Single Premium**
- **Recurring Premiums**
(5-pay, 10-pay, 20-pay, pay to 95)
- **1035 exchange**
(Existing life insurance or annuities)
- **Qualified Money** *(IRA, 401(k), 403(b), Inherited IRA, etc.)*

This information is not designed to promote nor to endorse 1035 exchanges. Before using a 1035 exchange carefully weigh all the benefits, costs, and implications of replacing a policy.

Clarifying §1035 Exchanges with LTC

Pension Protection Act 2006 expanded §1035 Exchange Opportunities

	To life insurance with or without LTC rider	To life insurance based linked-benefit LTC	To endowment contract	To annuity with or without LTC coverage	To a traditional LTCi policy
From life insurance with or without an LTC rider	Yes	Yes	Yes	Yes	Yes
From life insurance-based linked-benefit LTC	Yes	Yes	Yes	Yes	Yes
From an endowment contract	No	No	Yes	Yes	Yes
From annuity, with or without LTC coverage	No	No	No	Yes	Yes

- §1035 Exchanges must always maintain **like-to-like rules** with the base policy
- Survivorship may be §1035 exchanged into Joint Life and vice versa (two lives)
- **One exception on “like to like” with life insurance:** When one insured on a survivorship or joint life policy has died, the surviving insured may §1035 exchange the policy to an individual policy (note: this may not be cost effective depending on the exchange)

EXAMPLE LIFE HYBRID

AOB (Life Insurance)

Base policy (24 months)



COB (Rider)

Limited Duration (24, 48, 72 months)

Or

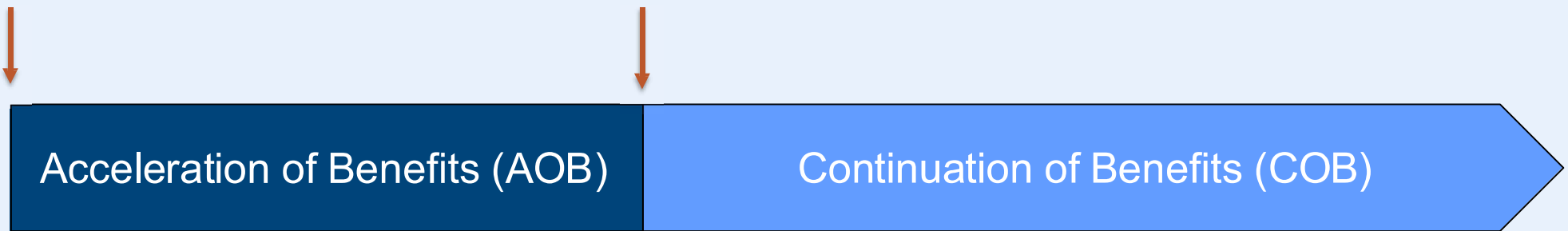
Lifetime (Unlimited Duration)



Enhanced Claims Experience

1st day of claim

AOB exhausted.



Acceleration of Benefits (AOB)

Continuation of Benefits (COB)

Reimbursement for: Independent Providers
Home Health Care
LTC Facilities
or

Reimbursement for: Independent Providers
Home Health Care
LTC Facilities

Cash Benefits for: Informal Care and
other expenses



Joint Life LTC Linked Benefit Policies



More Affordable

- May be more affordable with shared LTC benefit pool
- Helps take the guesswork out of how much LTC coverage to purchase
- Often less expensive than two individual policies

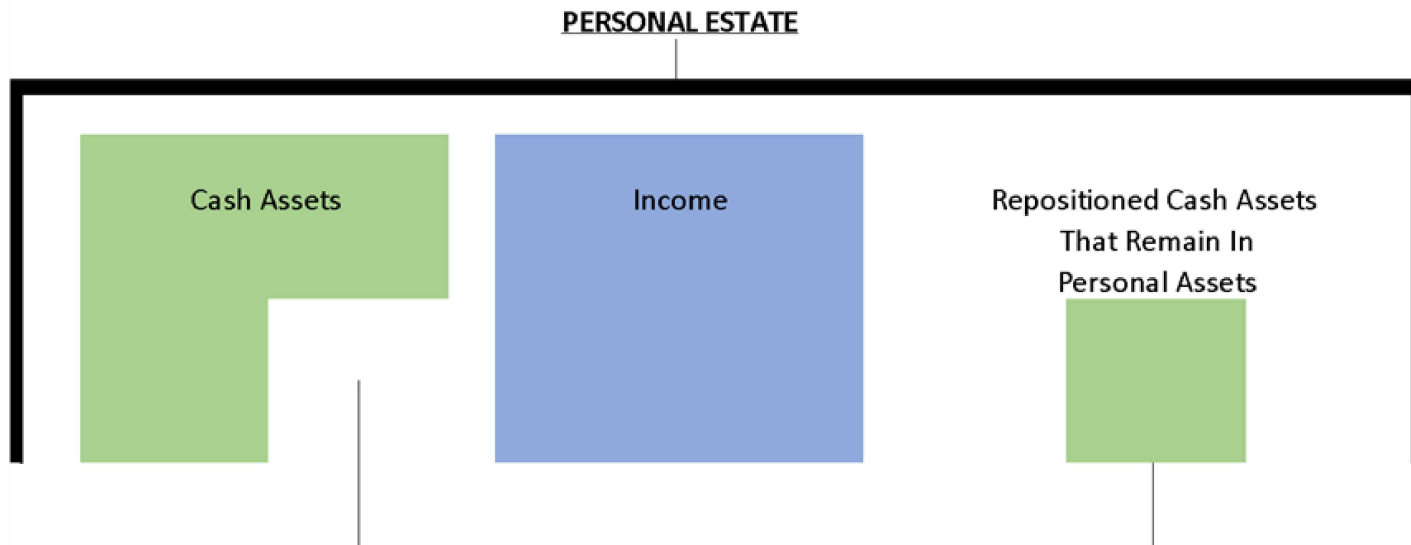


To be Tax Advantaged

- Policy must have separate identifiable LTC premiums
 - Can't be a deduction from cash value
- LTC premium amounts must be assigned for each individual

MODERN DAY (ASSET BASED) LTC PLAN

ILLUSTRATION OF THE EFFECT OF
CARE FORWARD LONG-TERM CARE STRATEGY
ON PERSONAL ESTATE



MODERN DAY APPROACH TO LONG-TERM CARE PLANNING

MODERN DAY APPROACH TO LONG-TERM CARE PLANNING

BENEFITS OF THE STRATEGY

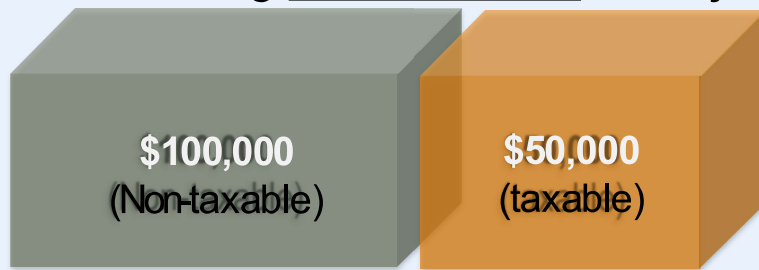
1. Leverage
1. Guaranteed benefits
1. Possibility Cash benefits
1. Flexibility
1. No more use it or lose it like a stand alone or short term policy

LTC Annuity Strategy

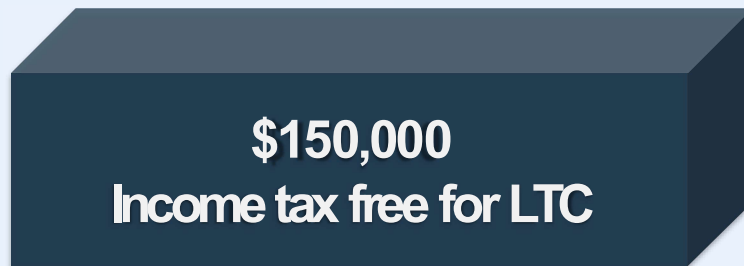
- FIXED & INDEXED LTC ANNUITIES
- Higher Issue Ages up to age 85
- GREAT for 1035 transfers for annuities with large gains
 - Target Market age 65-85
- Benefits are tax-free for LTC
- Joint coverage can protect two spouses
- Still have potential for market gains with an indexed annuity

The Pension Protection Act

Existing Non-Qualified Annuity

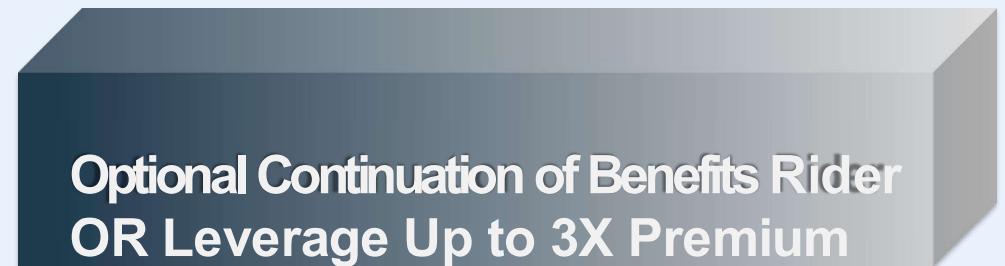


↓
1035 Exchange



Pension Protection Act Annuity

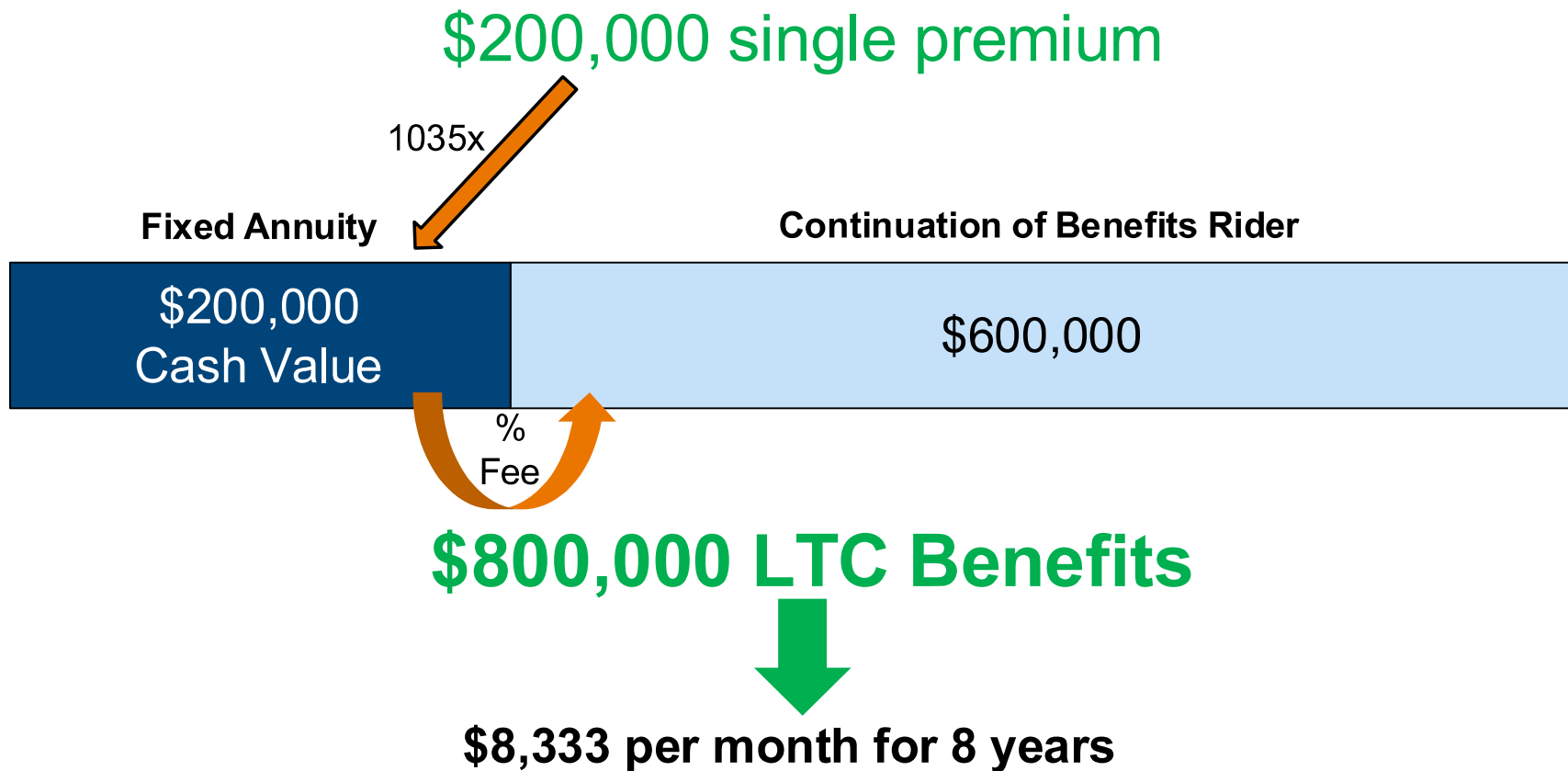
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“Is this annuity on the short list of assets you would use should you require extended health care in the future?”

(Single premium, cash or 1035 exchange)

Female, age 65



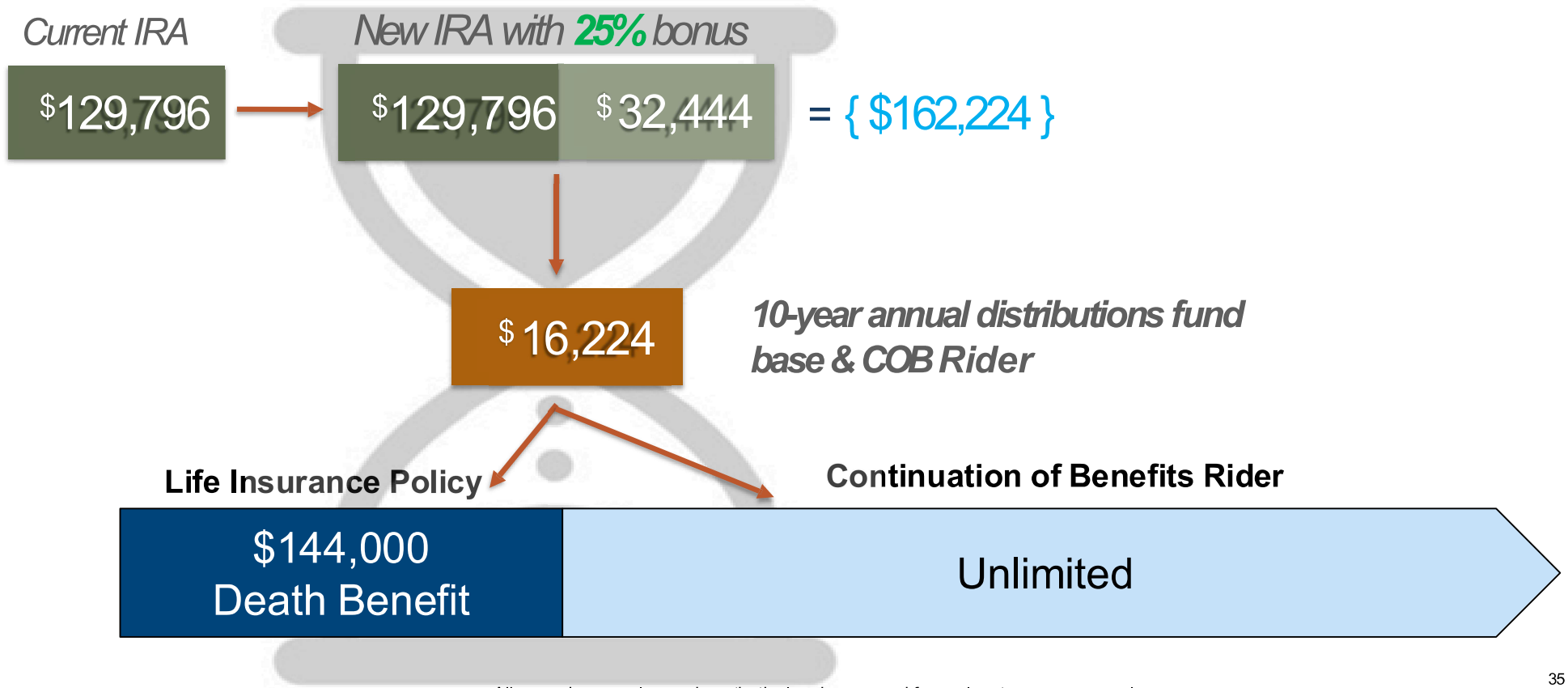
All numeric examples are hypothetical and were used for explanatory purposes only.

Secure Act: Opportunity with Inherited IRA

- Restricts the stretch distribution time period for most non-spouse beneficiaries of qualified retirement plan and IRA-owning decedents, who die after December 31, 2019, to TEN YEARS
- Direct rollover of inherited account into IRA annuity with either SPIA or with income rider for 10 years
- Distributions are taxable, but automatically spread over the maximum 10-year time period allowed
- No 10% penalty if the inherited **IRA contract owner is younger than age 59-1/2**

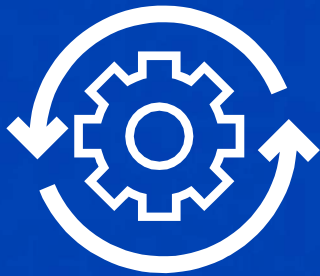
IRA Annuity Funding Life

Joint policy: Male age 60, Female age 60



All numeric examples are hypothetical and were used for explanatory purposes only.

The new LTC provisions in SECURE 2.0



Section 334 of Secure 2.0



Sec. 334 of SECURE 2.0 allows using qualified funds to pay for LTC coverage – without pre-59 ½ penalty.....

Limitations to Note

- It does **not** apply to IRA accounts
- Limits distributions to a maximum of \$2500 a year (with an annual adjustment) – and distribution
- Only allows distribution to pay for qualifying LTC premiums/costs
 - Cannot be used to pay for life insurance portion of hybrid/combo policies
- Only waives pre-age 59 ½ penalty - full distribution is still taxable as ordinary income
- The PLAN does not have to allow for these distributions. It is optional, and up to the PLAN administrator whether or not to offer
- Not available until after Dec. 29, 2025

Alternative Solutions

The following solutions may be appropriate for those who cannot qualify for insurance. What is most important is that you know your options and have some kind of plan in place for your future.

Solution Type	Top Features	Limitations
<p>Indexed Annuities Long term care options for those with health concerns. Ideal for those who are uninsurable with a 20+ year horizon.</p>	<ul style="list-style-type: none"> ✔ Limited or no medical underwriting ✔ Market growth potential with limited downside risk ✔ Some products offer extra income for LTC 	<ul style="list-style-type: none"> ⊖ Full benefits not available day one ⊖ No care coordination ⊖ No tax advantages for business owners
<p>Reverse Mortgage Long term care option for those with health and financial concerns. Ideal for age 62 or older who have substantial equity in their home.</p>	<ul style="list-style-type: none"> ✔ No monthly mortgage payments - free up discretionary cash flow to pay LTC insurance or directly for care ✔ You remain owner of the home. Can still sell your home at any time ✔ Cannot be forced out of your home as long as taxes, insurance paid and upkeep maintained 	<ul style="list-style-type: none"> ⊖ Limited options under age 62 ⊖ Primary residence only ⊖ Equity may not be available for next generation
<p>Self Funding Access to money now. No claims process. Ideal for those who are skeptical of insurance.</p>	<ul style="list-style-type: none"> ✔ Retain liquidity and flexibility ✔ No premium increase to worry about ✔ Not paying for unused benefits ✔ No claims process 	<ul style="list-style-type: none"> ⊖ Not a health care plan ⊖ No care coordination benefit ⊖ Tax timing consequences ⊖ No insurance leverage

Questions to Consider

What impact will the need for extended chronic care have on your income? What will happen to your income should you or your spouse require extended care while one or both of you are still working? Relying on Medicaid to pay for long-term care means that you and your spouse will be subject to asset thresholds that can wipe out most of your retirement savings.

What type of care do you prefer? Do you want an option for home care? Would you want to be able to use less costly informal caregivers? How about the option to live in an upscale assisted living facility?

What solution can you comfortably afford over the long term? If you're considering long term care insurance, meaningful coverage can have many benefits. You might choose to purchase insurance and self-fund a portion of the risk.

WHAT DOES MEDICARE COVER?

MEDICARE

Generally covers only
rehabilitative care after a
hospital stay and only up
to 100 days
(REQUIRES A 3-DAY
STAY ADMITTED IN A HOSPITAL
UNDER TREATMENT)

Not custodial care –
**Medicare is health
insurance**
MUST BE GETTING BETTER

No independent or
assisted living
support- Minimal
Home Health Care

WHAT DOES MEDICAID COVER?

MEDICAID

Covers LTC expenses,
NURSING HOME ONLY but
is changing

TEXAS 2024
Individual: Less
than \$2829/month
AND Less than
\$2000 of assets.
Spouse can keep
up to \$154,140 in
assets.

Limited choices for
care/facility

Consult an Attorney

HEALTH SAVINGS ACCOUNTS

PAYING FOR LTC PREMIUMS

Joint Life LTC Policies

Using HSA dollars to pay LTC premiums



HSAs (Health Savings Accounts)¹

- Each individual can get reimbursed up to age-based limits from their own respective HSA accounts – OR
- Both individual's separate LTC premiums are eligible for reimbursement from one spouse's HSA
 - This applies whether they file jointly or separately
- Unmarried couples must use their own individual HSA unless one partner is a tax dependent
- You cannot both take a tax deduction and use HSA funds – you can only choose one option



Age-based Limits for Individuals

- Individuals are subject to age-based limits
 - The IRS limits the amount of the tax deduction or **HSA distribution** an individual qualifies for
- Qualifying amount is the lesser of:
 - cumulative LTC premiums paid
 - or the amount based on age at end of tax year premium was paid

	2018	2019	2020	2021	2022	2023	2024	2025
40 or under	\$ 420	\$ 420	\$ 430	\$ 450	\$ 450	\$ 480	\$470*	\$480
41-50	\$ 780	\$ 790	\$ 810	\$ 850	\$ 850	\$ 890	\$880*	\$900
51-60	\$1,560	\$1,580	\$1,630	\$1,690	\$1,690	\$1,790	\$1,760*	\$1,800
61-70	\$4,160	\$4,220	\$4,350	\$4,520	\$4,510*	\$4,770	\$4,710*	\$4,810
71+	\$5,200	\$5,270	\$5,430	\$5,640	\$5,640	\$5,960	\$5,880*	\$6,020

TAX DEDUCTABILITY

LTC PREMIUMS

Tax Advantages for Individuals

Individual tax-payer can only choose one



Federal tax deduction (under IRC §7702B and IRC§213)

- Must meet 7 ½ % floor of Adjusted Gross Income (AGI) in out-of-pocket medical expenses. For example:
 - AGI equals \$100,000
 - \$7,500 must be paid out of pocket before any deduction applies
 - LTC premiums can help to get to the required floor
- **Deduction limited to IRS age-based deduction limits**

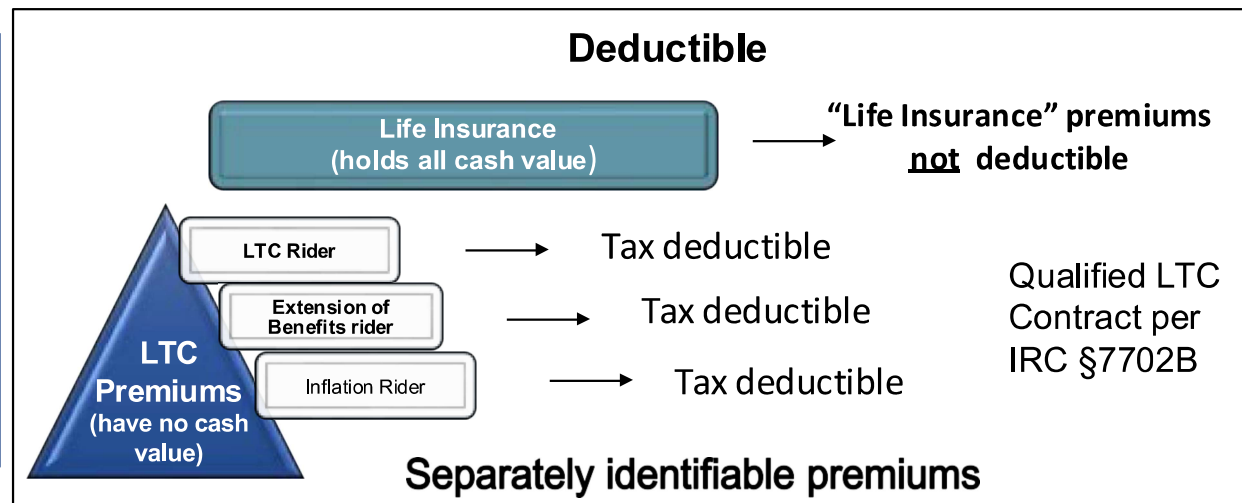
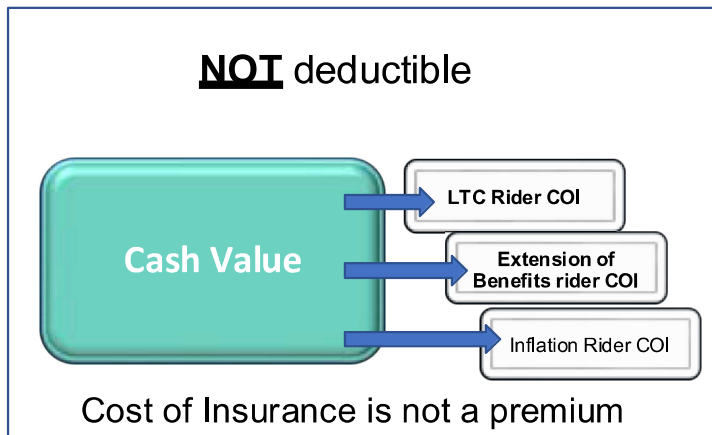


HSA distribution

- No 7 ½ % floor to meet
- No itemization required
- **Distribution limited to IRS age-based distribution limits**

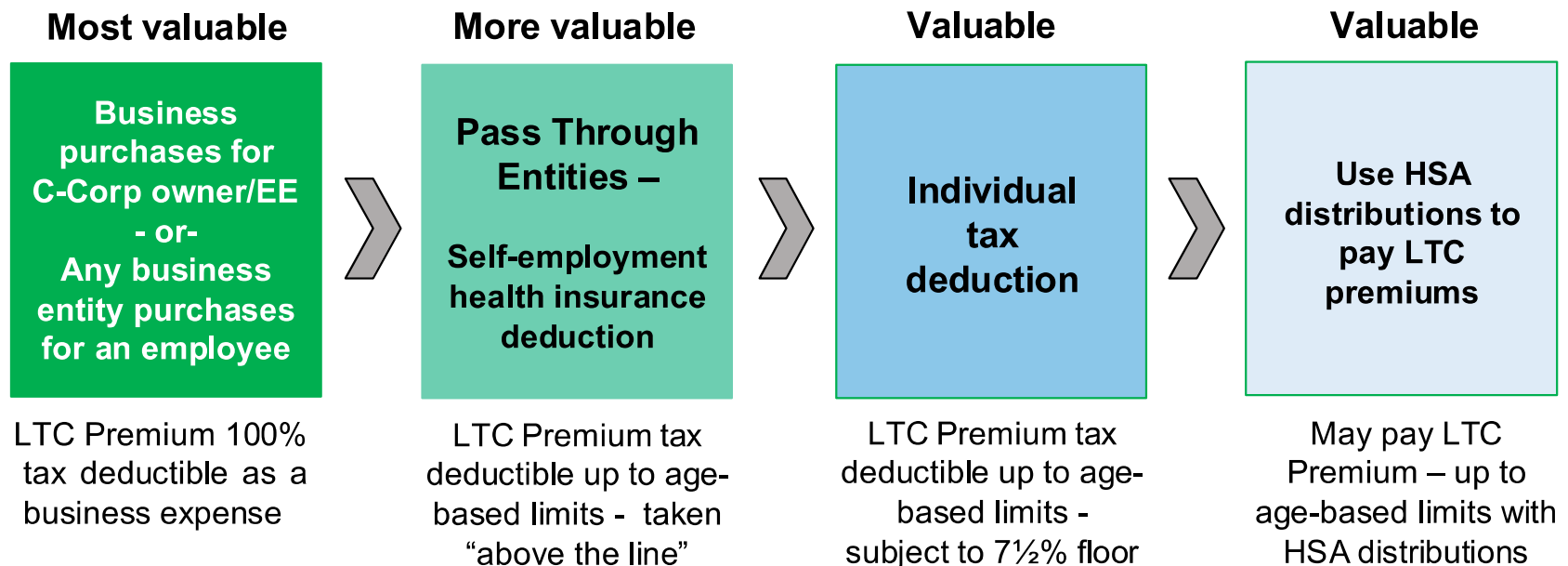
Policy structure is key to tax deductible LTC premiums

- LTC premiums must be separate and identifiable
 - Cost of insurance for LTC rider charges is **not** a premium
- Traditional stand alone LTC policies have separate identifiable LTC premiums
- Some linked benefit LTC policies have separate identifiable LTC premiums
- LTC riders on annuities do not have separate identifiable LTC premiums



Hierarchy of Tax Advantages by Situation

The value of tax advantages varies by business entity and individual opportunities



LTC Policies- Tax Advantages for Businesses

LTC premiums must be separate and identifiable for each person



Executive Carve-Out and C-Corp Owner

- Spouses and dependents may be included
- Life insurance premium will be treated as income – deductible to the employer as wages paid and taxable to the employee as wages received
- LTC premiums for both employee and spouse will be deductible by the employer as accident and health premiums
 - but will not be taxable to the employee
- LTC benefits will also be tax free



Pass-through Entities

- Spouses and dependents can be included
- Deducted as self-employment health insurance
- Age-based limits apply to the owner and spouse
 - Each will use their individual age to determine the deduction for each spouse

Tax Advantages for Pass-through entities

LTC coverage for self-employed business owners

- Self-employed individuals may deduct qualified LTC premiums
 - Above the line deduction (not subject to the 7 ½ % floor or itemizing deductions)
 - May include spouse and dependents
 - Cannot deduct LTC premiums in any month in which either spouse is eligible for subsidized LTC benefits from another employer
 - Deduction is subject to age-based limits

	2018	2019	2020	2021	2022	2023	2024	2025
40 or under	\$ 420	\$ 420	\$ 430	\$ 450	\$ 450	\$ 480	\$470	\$480
41-50	\$ 780	\$ 790	\$ 810	\$ 850	\$ 850	\$ 890	\$880	\$900
51-60	\$1,560	\$1,580	\$1,630	\$1,690	\$1,690	\$1,790	\$1,760	\$1,800
61-70	\$4,160	\$4,220	\$4,350	\$4,520	\$4,510	\$4,770	\$4,710	\$4,810
71+	\$5,200	\$5,270	\$5,430	\$5,640	\$5,640	\$5,960	\$5,880	\$6,020

- Each entity has slight variations in how premiums are paid and labeled for:*
 - more than 2% owner of an S-Corporation
 - Partnership or LLC (paying taxes as a partnership)
 - Sole Proprietor

* Please consult a tax advisor for details on how each business entity reports and deducts LTC premiums

Employee LTC benefits using Linked benefit policies (properly structured)

C-Corp owner/EE, Non-owner/EEs & Less than 2% owner/EE of an S-Corporation



- May include spouse and tax dependents
- **Life insurance premiums** are treated as a compensation bonus
 - 100% tax deductible to business as a business expense (paid compensation)
 - 100% taxable to employee as compensation received (includes spouse's life premium)
- **LTC premium** treated as payments for an accident & health plan
 - LTC premiums 100% tax deductible to business (no age-based limits)
 - LTC premiums are totally excluded from employee's income - no taxation (includes spouse's LTC premium)
 - LTC benefits paid tax free per IRS guidelines
- Employer may not have any ownership or beneficial rights
- Owner must be bona-fide employee – no deduction for silent partners/investor

LTC insurance may not be offered as part of a cafeteria plan under IRC §125(f),

QUESTIONS???

SHARON LUKER, CLTC
LUKER INSURANCE STRATEGIES
972-596-1318
SHARON@LTCPLANNINGCONSULTANTS.COM