

Estate Planning and Long-Term Care: A Really Inconvenient Truth

Ronald J. Lee JD CLU ChFC
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Knowing Advanced Markets is like having access to a library of information.

Disclaimer

This presentation represents our understanding of the federal tax law as currently interpreted. Mutual of Omaha, United of Omaha and their agents do not offer tax or legal advice. Seminar participants should encourage their clients to seek specific advice regarding legal and tax matters from qualified advisors.

Seniors...

- Already have an idea about their plan
- Only want to work with people who know their stuff
- Don't want a lot of choices
- Want to consult with their children
- Like to be respected

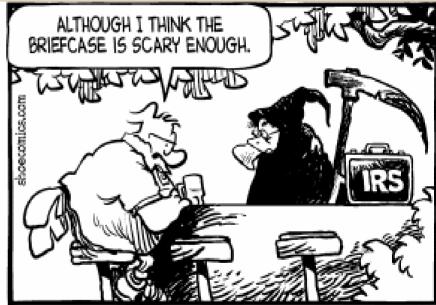
What Is Estate Planning?

"Saving is a very fine thing...

especially when your parents have done it for you."

Winston Churchill





My Definition:

Getting my stuff transferred...

to the people I want it to go to...

when I want it to go there.

Commonly Used Techniques

- Joint Ownership/Beneficiary Designations
- Powers of Attorney/Medical Directives
- Wills
- Trusts

Joint Ownership

Is it used as a will substitute?

It may not be for everyone:

Claims of Creditors

Divorce Actions

Lack of Control

Powers of Attorney

- Durable Power of Attorney
- Springing Durable Power of Attorney
- Medical Directives
- Living Will

Powers of Attorney

- Who is the "Attorney-in-fact" or "Agent"
- What powers are transferred?
- When are the powers transferred?
- Where is the document located?
- Who knows about the document?
- Are the powers coordinated with longterm care products?

Wills

- Is the document up-to-date?
 Have circumstances changed?
 Are all children still living?
 Are there any special needs?
- Specific assets to named parties vs. a percentage?

Wills

- Coordination of provisions
 Insurance/Annuity products
 Investments
 Other documents
- Tax savings provisions?
- Delay in distribution of assets?

What Is A Trust?



Parties Involved in a Trust

Grantor (Trustor)

Trustee

Beneficiary

Types of Trusts

Testamentary

Intervivos (Living)

- 1. Revocable
- 2 Irrevocable

- Revocable Living Trusts
 - Operational during lifetime
 - Avoids probate (even in multiple states)
 - Does **NOT** reduce estate taxes
 - Controls assets to (spendthrift) children
 - Controls assets to minor grandchildren
 - Provides for incapacity

Revocable Living Trusts

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Controls assets to (spendthrift) children

Controls assets to minor grandchildren

Provides for incapacity:

(Becomes irrevocable @ incapacity?)

(A long-term care policy in the trust?)

Claimed Advantages of Living Trusts

- Avoid delays of probate
- Avoid high probate fees and expenses
- Avoid publicity
- Avoid taxes
- Avoid will contests

Genuine Advantages of Living Trusts

- Private
- Provides for incapacity during life
- May reduce expenses and delays at death
- Flexibility--may be revoked prior to death
- Avoid multi-state probate proceedings
- Control of assets to minor children--avoids conservatorship

Disadvantages of Living Trusts

- Up-front costs
 Attorney's fees
 Transfer costs
- On-going administration
 Remembering to register new assets
 in name of the trust
- Lack of court supervision for trust assets

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 - (What about long-term care policies?)

- Spousal Lifetime Access Trusts
 - A type of irrevocable trust
 - Spouse may have access to assets for "health, education, maintenance or support."
 - An independent trustee may have absolute discretion to make distributions

Bypass Trust

- Estate tax savings
- Typically funded at death

Charitable Remainder Trust

- Partial income tax deduction
- Income for life or term
- Income for 2 lives if needed

Charitable remainder trust

- Where's the sale?
 - Wealth replacement trust
 - Trust investments

An "Obstacle" to the Plan

Estate Settlement Costs

Estate Settlement Costs

- Funeral Expenses
- Medical Expenses
- Property Tax
- Income Tax
- Attorney's Fees
- Accountant's Fees
- Appraiser's Fees
- Executor's Fees
- Trustee's Fees

- Probate Court Costs
- Credit Card Debt
- Outstanding Loans
- Mortgage Debt
- Monthly Bills
- Maintenance Costs
- Education Costs
- Business Expenses
- Estate/Inheritance Tax

Remember

Estate Planning Is Not Just About Estate Taxes!

Consider This...

Federal Estate Tax (2008 Maximum) 45%

Federal Income Tax (2008 Maximum) 35%

Shrinkage From Long-Term Care Expense Unlimited

Where Would You Prefer To Transfer Your Estate?

- A. The Department of Revenue
- B. A Care Facility
- C. None of the Above

Let's Meet Mrs. Williams

- Enters a nursing facility at age 80.
- She is fine mentally, but having increasing difficulty caring for herself.
- She is widowed.
- All children live outside of the local area.

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- She is receiving the best of care in one of the finest facilities in the area.

Fast forward to the present (21 years later)

- Mrs. Williams is now 101 years old!
- Mental condition is still good.
- She has outlived all of her children.
- Her large estate is no longer so large.

Her estate shrinkage:

- The cost of care has continued to increase (for 21 years!!)
- Her net worth experienced some poor investment results:
 - ENRON
 - WorldCom

Mrs. Williams' Biggest Regret:

 She has nothing to leave her Grandchildren

How Would Mrs. Williams Have Benefited From Estate Planning?

 Management and review of her investment accounts on a regular basis could have preserved some of the estate. A combination of annuities could have avoided some of the catastrophic loss of value. Long-term care insurance benefits could have protected her other assets. Life insurance benefits, even if in an irrevocable life insurance trust, could provide an inheritance to the grandchildren. Gifts to children and grandchildren could have allowed Mrs. Williams to experience some satisfaction in seeing these gifts enjoyed. Any one of these ideas might have significantly benefited Mrs. Williams' estate.

None of them is complicated.

Things to Think About

 Long-term care insurance has an application to the affluent market just as homeowners or fire insurance does.

Think Leverage!!

Things to Think About

Who would think of an annuity as an estate planning tool?

Things to Think About

 The affluent may not always be affluent, but the products we offer can pass SOME estate value on to the heirs.

Our clients benefit from our services!

A Word About Medicaid

For many of our estate planning clients, Medicaid will not be an issue.

Get used to it!!

Long-Term Care Insurance

Is As Useful As:

- A Will Document
- A Power of Attorney
- Life Insurance

In Most Estate Plans

Long-Term Care Insurance

Allows The Estate Plan To Operate As It Was Intended

So, what was the really inconvenient truth?