

Asset-Based LTC Linked-Benefit Products

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Linked-Benefit Products

Agenda

- **What is a Linked Benefit Product?**
- **How do they work?**
- **Why do clients buy Linked Benefit Products?**
- **How are Linked Benefit Products marketed?**
- **Catching the Wave**



What is a Linked Benefit Product?

An insurance product that ties together multiple benefits and provides a client with flexibility, choice and substantial leverage potential, all dependant on the needs the client encounters.



What is a Linked Benefit Product?

Life Insurance with Long-Term Care Riders

Late 1980's

- Complex
- An add-on Sale to Life Insurance

Late 1990's

- Complex
- Begin to take on more LTCi-like characteristics

Late 2000's

- Becoming simpler
- An alternative for the self-insurer with rapidly growing appeal



What is a Linked Benefit Product?

Annuities with Long-Term Care Riders

Late 1990's

- Attached to Variable and Fixed Annuities
- Not Tax-Qualified

Late 2000's

- Tax Code changes brought about by PPA2006
- 1/1/2010 Tax-Qualified Benefits



How do they work?

Fundamental Design Elements

The Chassis

The Riders

- LTCi Riders
- ROP

Charges

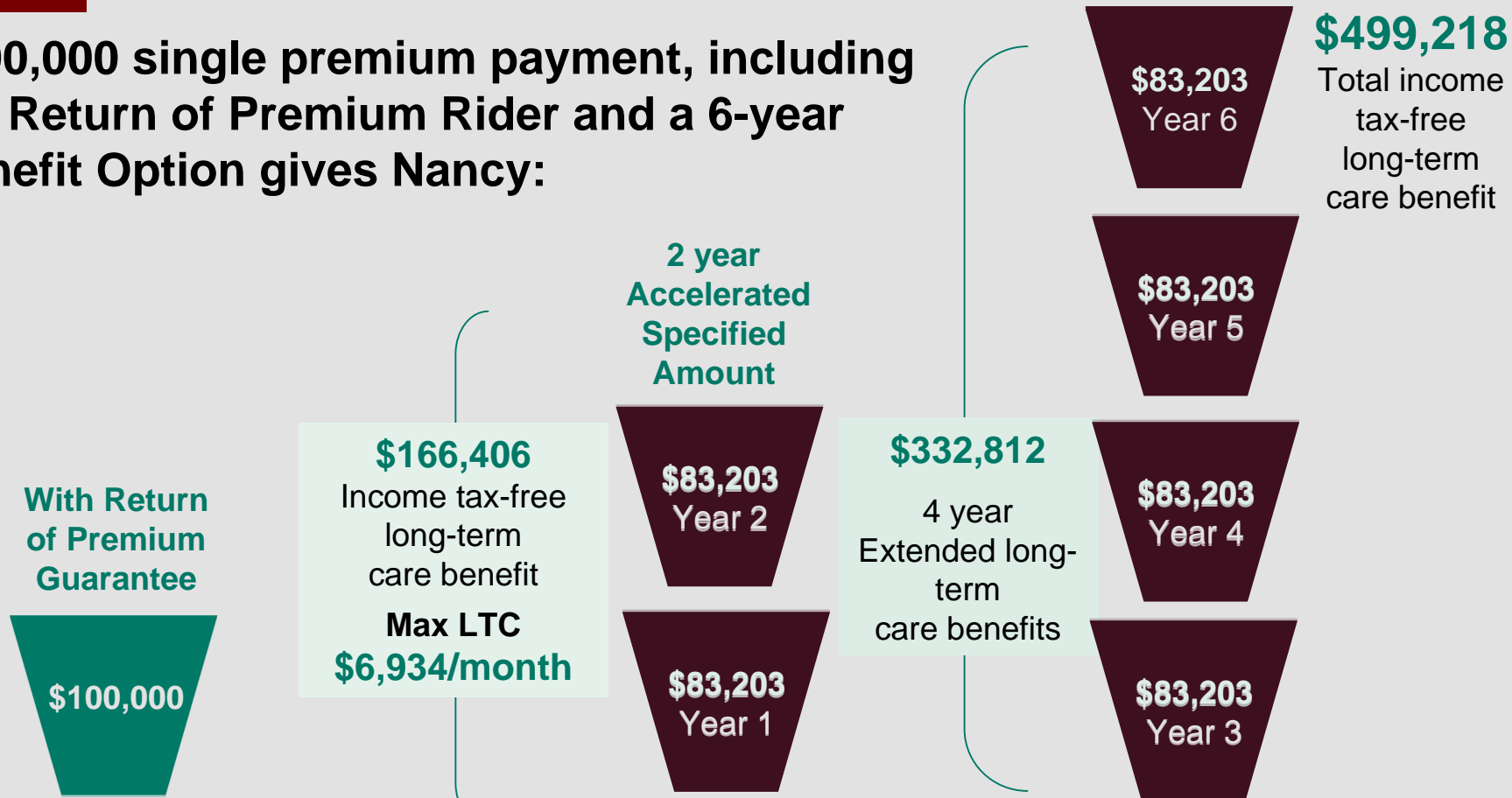
Taxation

Impact of LTCi Benefits on Underlying Vehicle



How do they work? Life Version

\$100,000 single premium payment, including the Return of Premium Rider and a 6-year Benefit Option gives Nancy:

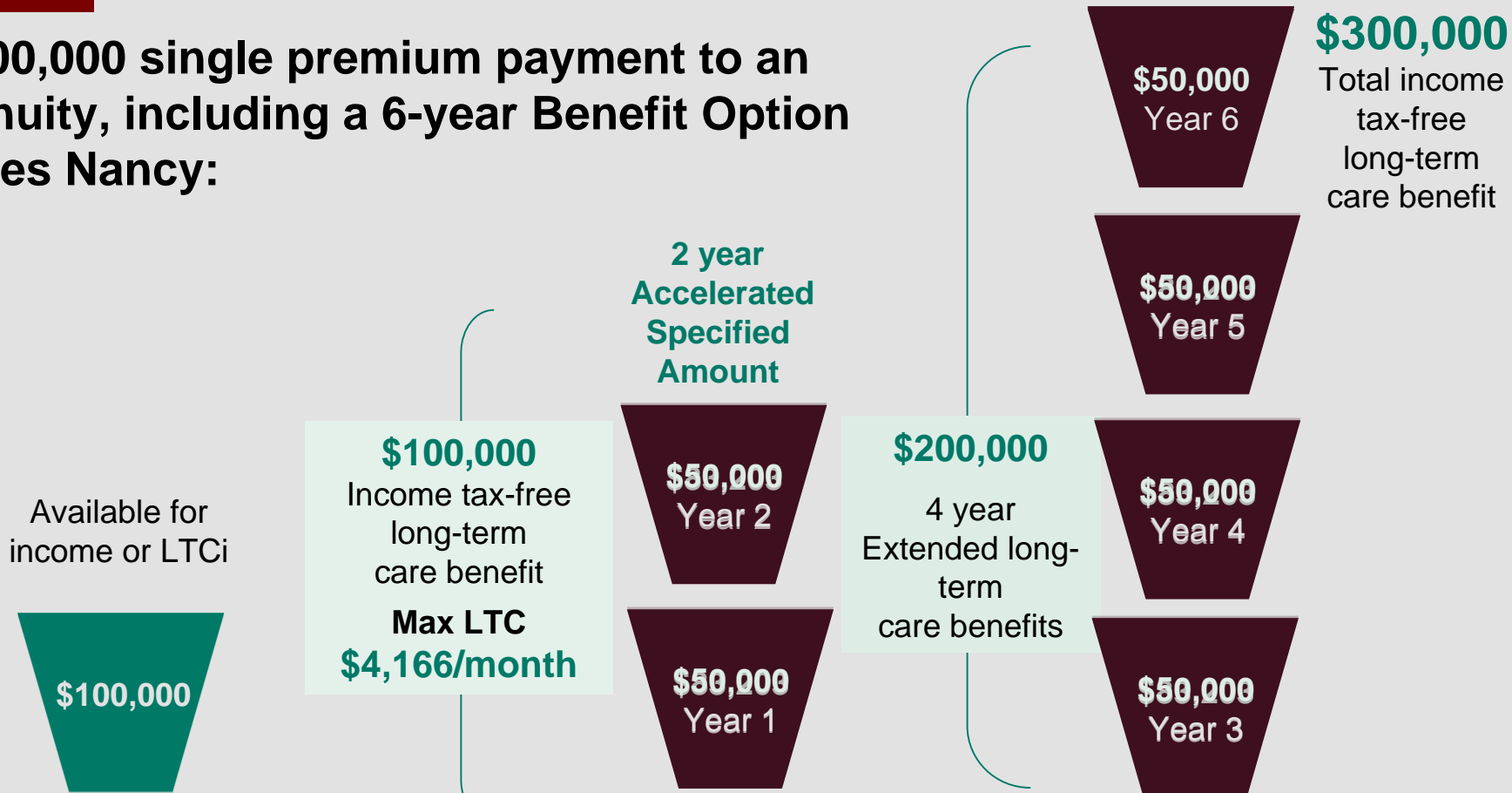


Hypothetical example only. Actual benefit amounts would be different, depending upon client's age, gender,* and/or health status. Income tax-free under IRC 104(a)(3)



How do they work? Annuity Version

\$100,000 single premium payment to an annuity, including a 6-year Benefit Option gives Nancy:








Hypothetical example only. Actual benefit amounts would be different, depending upon client's age, gender,* and/or health status. Income tax-free under IRC 104(a)(3)



Why do clients buy Linked Benefit Products?

Asset Repositioning for Clients who are Self-Funding the Risk of Long-Term Care

Current Asset/Linked-Benefit Vehicle	CD/Savings/MoneyMarket Account	Life Insurance Cash Value/ 1035 Exchange	Annuity/1035 Exchange
Life Insurance with LTCi Riders			
Annuity with LTCi Riders			



Why do clients buy Linked Benefit Products?



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Why do clients buy Linked Benefit Products?

Positioning	
Client assets	Sales theme
Over \$5m	Asset leverage
\$750k - \$5m	Income protection
\$0 - \$749,999	Traditional long-term care insurance



Why do clients buy Linked Benefit Products? protecting retirement income



Nancy, age 65

Good health, nonsmoker

\$1 million retirement portfolio

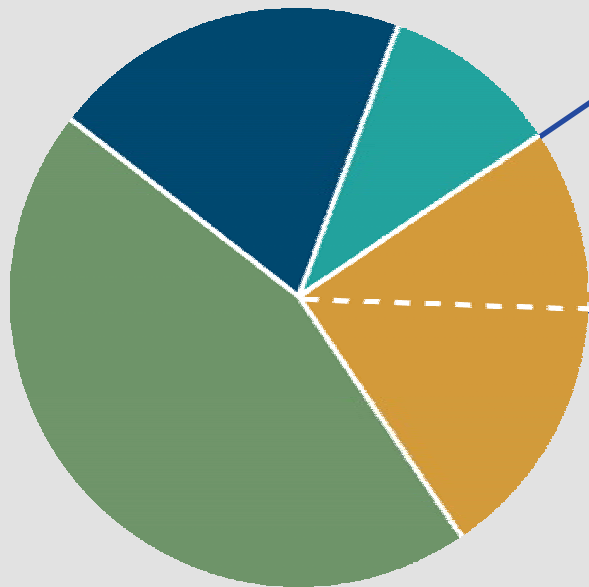
**\$300,000 set aside
for long-term care**

Repositioned \$100,000

Hypothetical example only. Benefit amounts vary by age, gender (except in Montana, where male premiums apply), and health status.



Why do clients buy Linked Benefit Products? protecting retirement income



LTC
Reimbursement

If Nancy needs long-term care

Up to \$83,203 each year
for six years

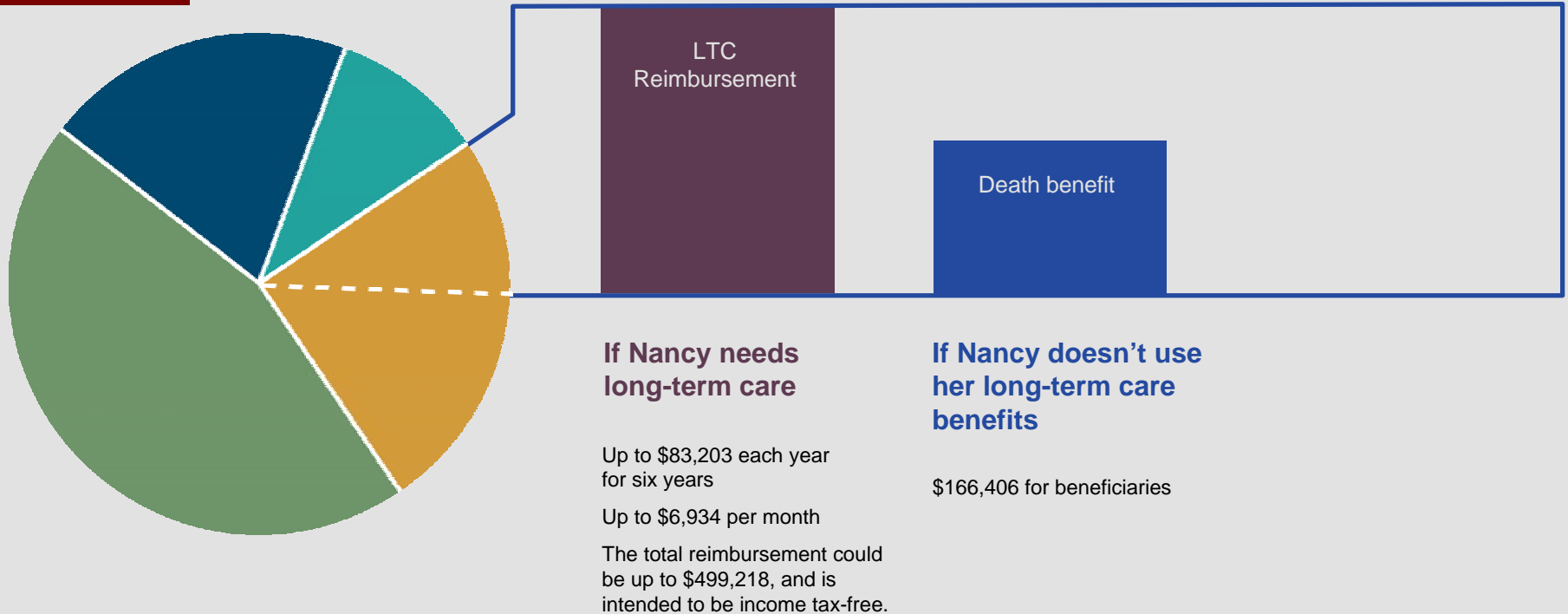
Up to \$6,934 per month

The total reimbursement could
be up to \$499,218, and is
intended to be income tax-free.

Hypothetical example only. Benefit amounts vary by age, gender (except in Montana, where male premiums apply), and health status.



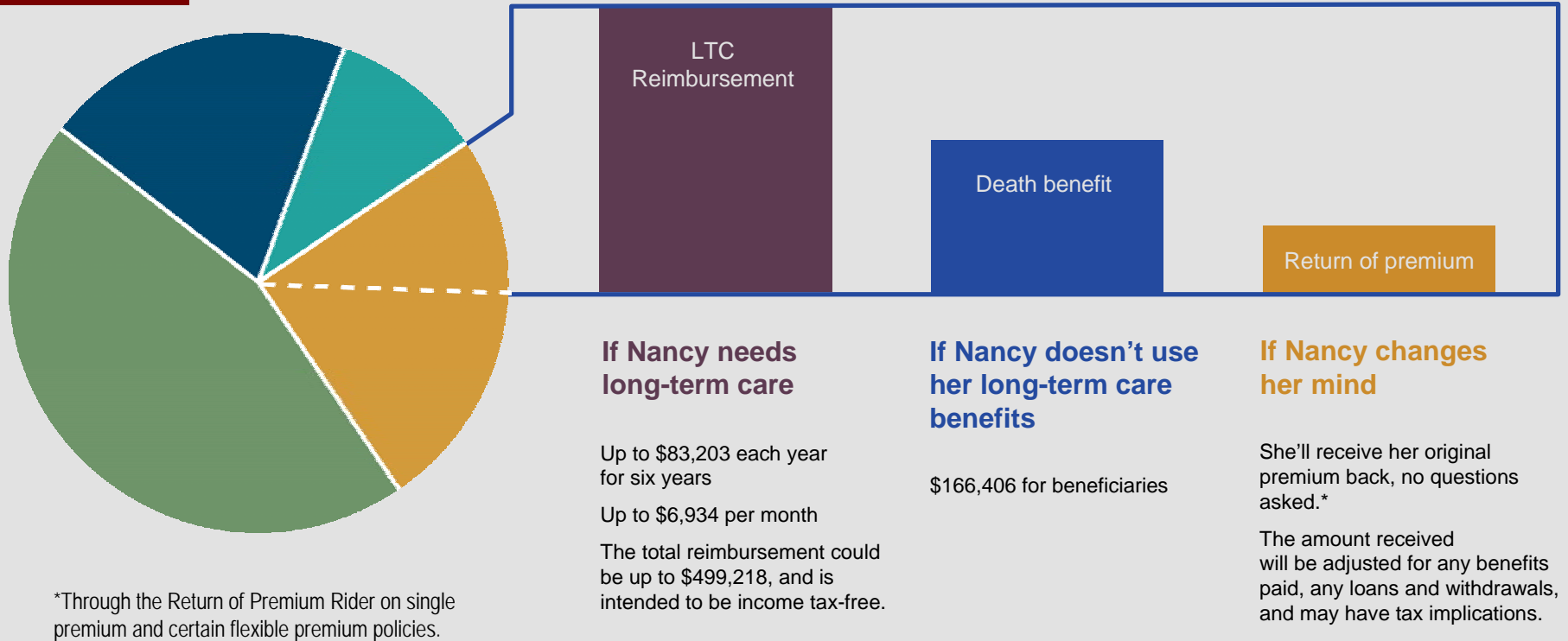
Why do clients buy Linked Benefit Products? protecting retirement income



Hypothetical example only. Benefit amounts vary by age, gender (except in Montana, where male premiums apply), and health status.



Why do clients buy Linked Benefit Products? protecting retirement income



*Through the Return of Premium Rider on single premium and certain flexible premium policies.

Hypothetical example only. Benefit amounts vary by age, gender (except in Montana, where male premiums apply), and health status.



Why do clients buy Linked Benefit Products?

- **Retirement Income Protection Story**
- **Affluent Asset Protection Story**



Hypothetical case study: protecting retirement income



Jeffrey, age 70

Ann, age 60

Good health, nonsmokers

Financially secure

**Concerned about
protecting Ann's retirement
income, should Jeffrey
need long-term care**

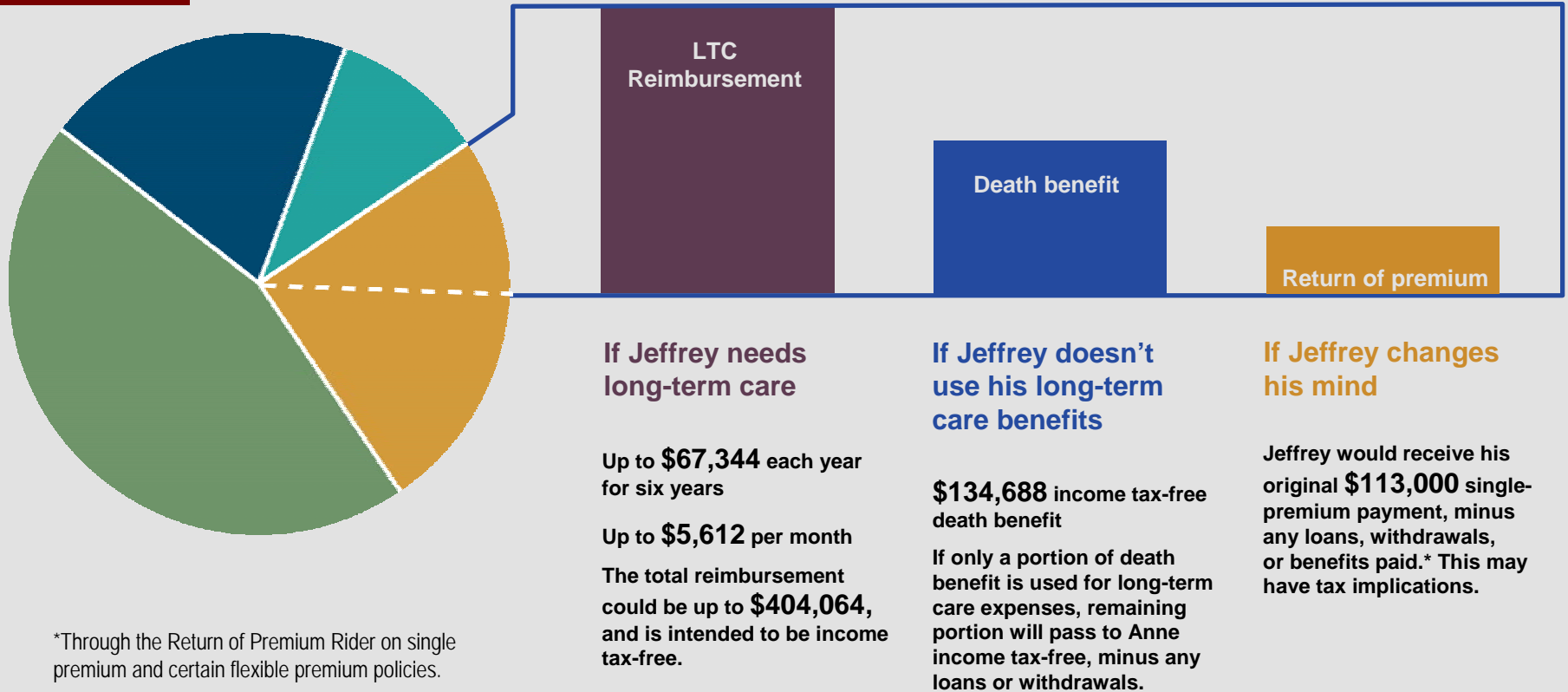
Repositioned \$113,000

Hypothetical example only. Benefit amounts vary by age, gender (except in Montana, where male premiums apply), and health status.

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Hypothetical case study: protecting retirement income



*Through the Return of Premium Rider on single premium and certain flexible premium policies.

Hypothetical example only. Benefit amounts vary by age, gender (except in Montana, where male premiums apply), and health status.



Hypothetical case study: leveraging assets



Gloria, age 62

Good health, nonsmoker

**\$7 million retirement
portfolio**

**Gloria's legacy:
Scholarship fund
Beneficiaries**

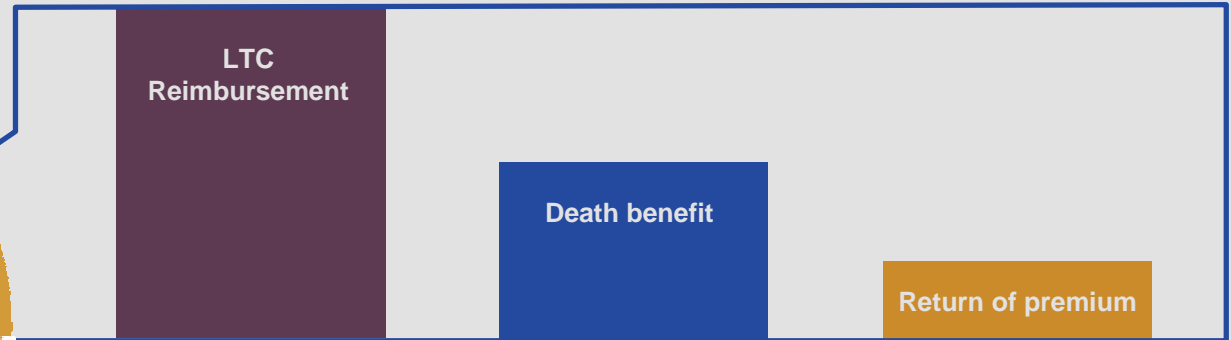
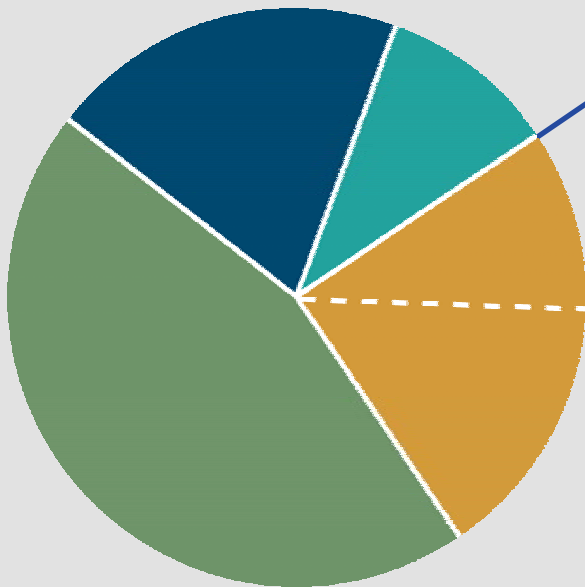
Repositioned \$250,000

Hypothetical example only. Benefit amounts vary by age, gender
(except in Montana, where male premiums apply), and health status.

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Hypothetical case study: leveraging assets



If Gloria needs long-term care

Gloria will get up to **\$226,080** every year (\$18,840 per month) for six years to reimburse qualified long-term care costs.

The total reimbursement could be up to **\$1,356,495** income tax-free.

She still has money in her portfolio to leave to her beneficiaries or to fund the scholarship program.

If Gloria doesn't use her long-term care benefits

In addition to money remaining in Gloria's own portfolio, the scholarship fund could receive a **\$452,165** death benefit, minus any loans or withdrawals.

If Gloria changes his mind

Gloria would receive her original **\$250,000** single-premium payment, minus any loans, withdrawals, or benefits paid.* This may have tax implications.

*Through the Return of Premium Rider on single premium and certain flexible premium policies.

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How are Linked Benefit Products marketed?

Client profiling

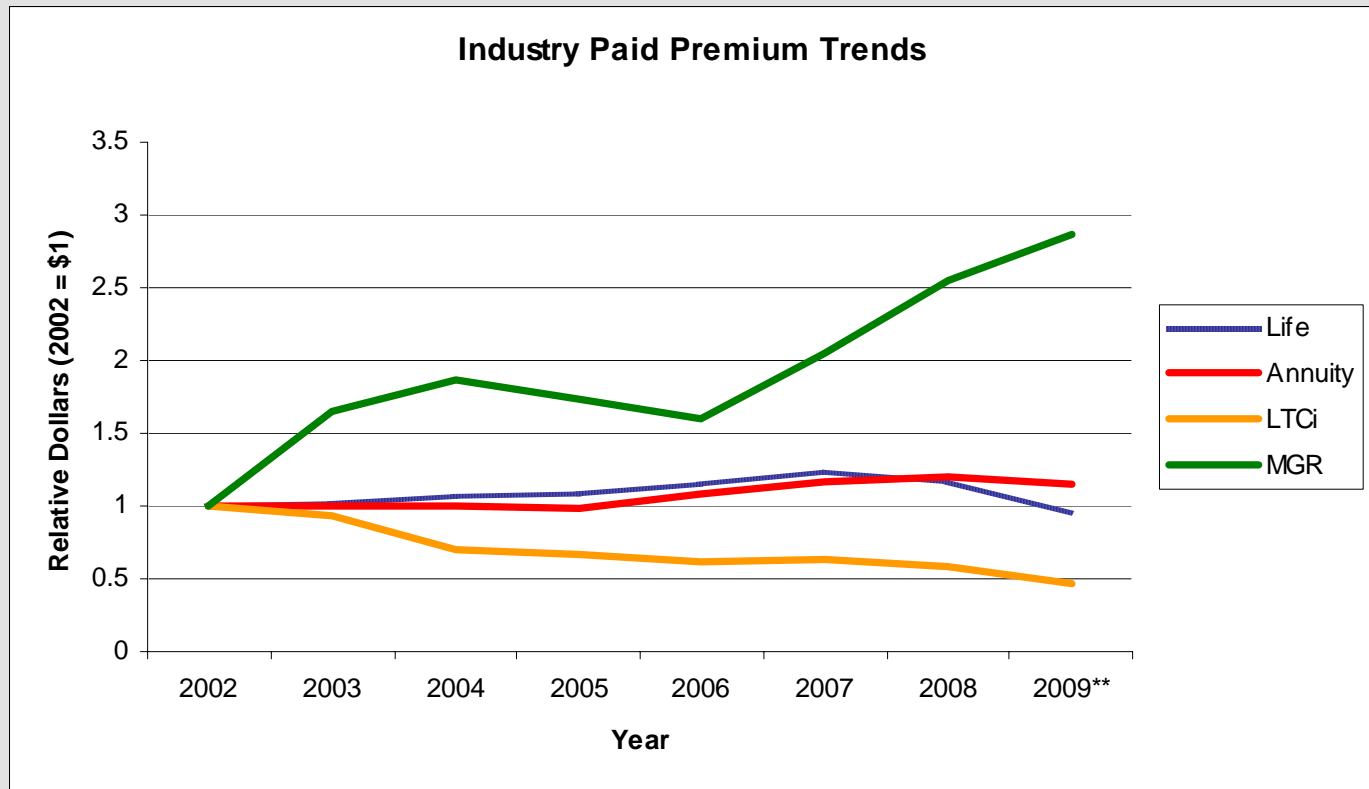
How to work a book

Appeal to emotion/logic



Catching the Wave

Closing – why is this relevant?



Ignore or embrace

Source: LIMRA Life, Annuity and LTCi Annual Reports

**2009 Projected Estimates based off of Financial Results. Professional use only. Not to be used with the general public.



Catch the Wave with Linked Benefit Products

**“A smarter way for your clients to self insure
from the risk of Long-term care expenses.”**

