Positioning LTCi as a Financial Planning Product

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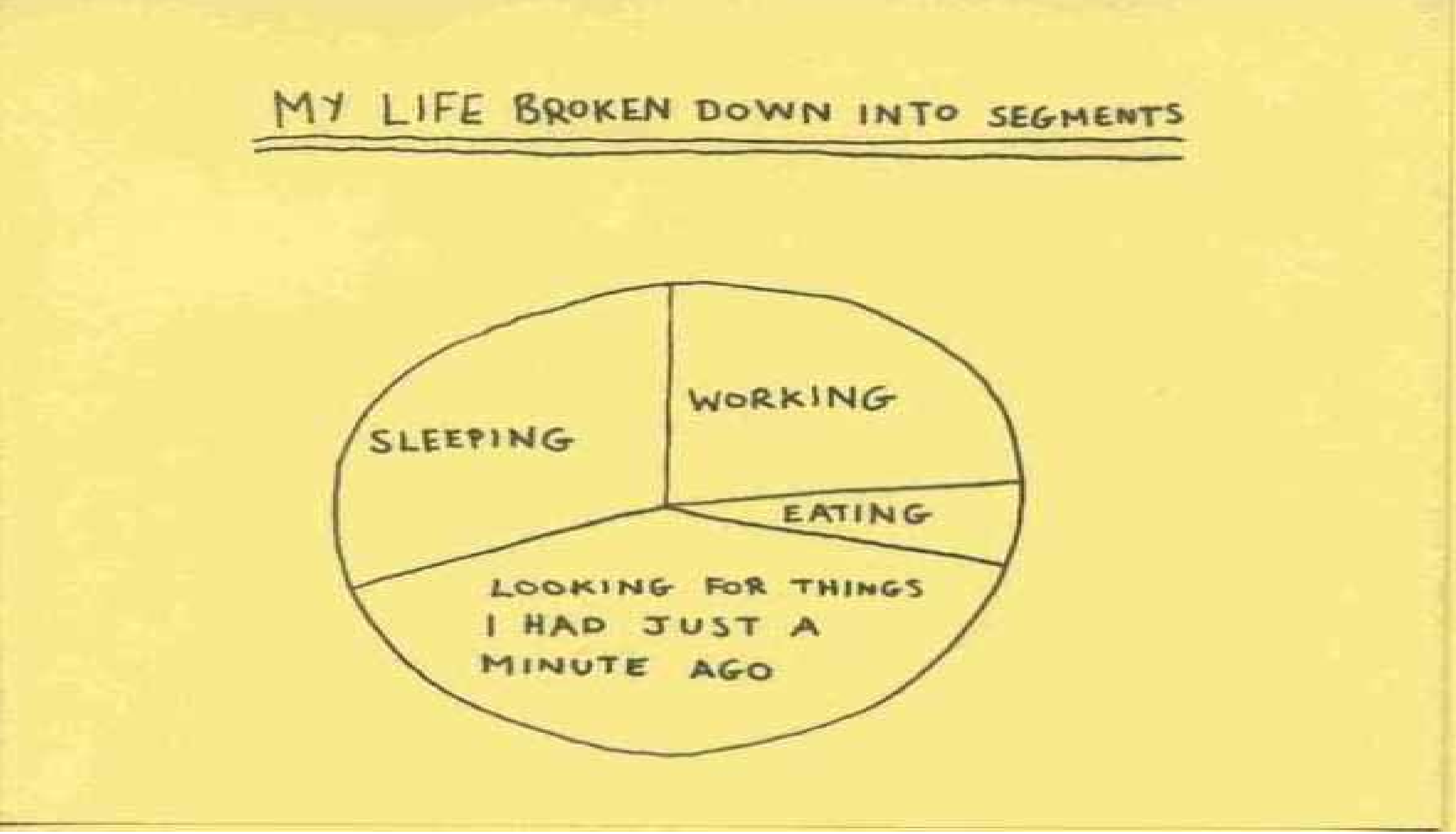
MY LIFE BROKEN DOWN INTO SEGMENTS
SLEEPING
WORKING
EATING
LOOKING FOR THINGS I HAD JUST A MINUTE AGO

Your Goals Should Be

Convince the planner that you understand their culture and environment

- To align yourself and your message to match the agenda of the planner – it's all about managing and mitigating risk in the portfolio

- Help the financial planner and their clients understand the financial risk and its impact on the family and their retirement portfolio

- Position LTCi as a defensive strategy to protect the goals of the estate plan and to create a source of tax free liquidity

- LTC – more about a chronic disability that can happen at any age and LTCi is a strategy to fund this risk

Risk Management

Expand the Planners Notion of Risk

- Some risks are simple and easy to quantify – home owners, auto

- Some risks such as financial risk are known and manageable to the extent of ones risk tolerance and the wide availability of historical macro economic data

- One’s risk (morbidity) is the most unwieldy and potentially most impactful to the health of one’s estate plan

Options for Financial Planners

- Buy it – Acquire Expertise – what you do with it. Almost no one does this

- Build it – In House Expertise – No one wants to do this

- Lease it – Form Strategic Partnerships

  Variable to no cost to set up and implement

Financial Impact on the Portfolio

- Clarify – are the unique and individual goals of each client worth protecting?
- How important is it to maximize the likelihood that agreed upon financial goals are met?
- Long-Term Care events come with a high likelihood of occurrence and present potentially unlimited exposure
- LTCi as an added strategic planning component to an existing plan protects the integrity of the goals of any estate plan and offers health care advocacy for the family as well
- Even more, it's a strategy planners can employ to indemnify their book of business.

Strategies Using Risk Management

- Avoid the risk
- Reduce the risk
- Retain the risk
- Transfer the risk

Leveraging Long Term Care Insurance Plans

LTCi = Risk Free, Tax Free Leverage

- Show me any financial investment that has the potential to deliver a guaranteed, risk free, after tax rate of return (whether it be a compounding rate of return or pegged to common indices like CPI?)
- For example, what would you have to earn after tax to yield at least a 5% compounded rate of return?
- You will make one of two mistakes: Buy the insurance and never use it, OR, be forced to fund a long-term care event directly from your estate

Planners say they think about tomorrow?
If so, they should be HYPER concerned about the inflationary impact of a Long-Term Care event!

Current cost of care in Kansas City, MO

Nursing Home = $4,743/month

Projected Cost:

Client at age 50 today = $4,743/month

- In 10 years = $12,335/month
- In 20 years = $25,937/month
- In 30 years = $50,279/month
- In 40 years = $93,883/month

The figures above assume a 6% inflation rate on the cost of care

Current cost of care in Kansas City, MO

Assisted Living Facility = $3,304/month

Projected Cost:

Client at age 50 today = $3,304/month

- In 10 years = $9,757/month
- In 20 years = $21,315/month
- In 30 years = $42,013/month
- In 40 years = $79,080/month

The figures above assume a 6% inflation rate on the cost of care

Source: 2008 Genworth Cost of Care Survey (Private Care).

This is a Tax Efficient Strategy

Know your client – there may be more advantageous ways to purchase coverage

HIGHLIGHTS

- **Discriminatory benefit (liberal ERISA treatment)**
- **Tax deductible premium**
- **Zero imputed income to W2 employees**
- **Income tax-free benefit**
- **Full portability**

2009 Eligible Long-Term Care Insurance Premium Deductions (age-based for certain business entities)

Insured's Age	Amount Deductible
40 or under	$320.00
41 through 50	$600.00
51 through 60	$1,190.00
61 through 70	$3,180.00
71 and above	$3,980.00

Type of Business	Circumstance	Deductibility
Sole Proprietor	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	Sole proprietor pays premiums for own policy.	Deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[2] Benefits received from policy not included in recipient's taxable income.
Partnership	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	Partnership pays premiums for partners' policies.	Premiums attributed to each partner included in their income. Partner deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[3] Benefits received from policy not included in recipient's taxable income.
C Corporation (includes charities – 501(c)(3))	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
S Corporation	Employer pays premiums for employees' policies (including 2% and less shareholders).	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	S Corporation pays premiums for greater than 2% shareholders' policies.	Premiums attributed to each greater than 2% shareholder included in their income. Greater than 2% shareholder deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[4] Benefits received from policy not included in recipient's taxable income.
Limited Liability Company[6]	Employer pays premiums for employees' policies.	Employer deducts 100% of premium expense. Premiums paid by employer not included in employee's taxable income. Benefits received from policy not included in recipient's taxable income.
	LLC pays premiums for owner/members' policies.	Premiums attributed to each owner/member included in their income. Owner/member deducts lesser of actual premiums paid and eligible long term care insurance premium (see chart on reverse).[5] Benefits received from policy not included in recipient's taxable income.

Speaking the FP Language

Do's

- Client Base
- Providing Services
- Revenue
- Client
- Relationship
- Outsource
- Strategy
- Provide a Comprehensive Plan

Don'ts

- Book of Business
- Sale
- Commission
- Customer
- Transaction
- Referral
- Never use the words "you eat what you kill."

Support Models

- Field Support Team
- Back Room Marketing Support Team
- Be Flexible and operate in their Business Model
- Education
- Combine High Tech with High Touch