



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

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Knowing Advanced Markets is like having access to a library of information.



Disclaimer

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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?

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“Saving is a very fine thing...

especially when your parents have done it
for you.”

Winston Churchill



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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 long-term 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?



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Parties Involved in a Trust

- Grantor (Trustor)
- Trustee
- Beneficiary



Types of Trusts

Testamentary

Intervivos (Living)

1. Revocable
2. Irrevocable



Trusts

- 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



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- 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



Trusts

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- Not subject to change

- Assets are outside of the estate

- Controlled by the Trustee

- Typically contains life insurance policies



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- (What about long-term care policies?)



Trusts

- 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

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- 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.



- Her net worth is several million dollars, which she inherited from her family and her late husband.



- Her net worth is several million dollars, which she inherited from her family and her late husband.
- She is receiving the best of care in one of the finest facilities in the area.



Fast forward to the present
(21 years later)

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- 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!

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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?

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