American Association for Long-Term Care Insurance™

Long-Term Care Insurance Is Good For America

Best Practices To Selling and Communicating LTCI To the Middle Class and the Affluent

Communicating LTCi To The Middle Class and Affluent

Agenda

- The middle class boomer vs. an affluent buyer?
  - ✓Sell to their reality, not your agenda
  - ✓Boomer's in their late 40's and 50's are financially vulnerable
  - ✓LTC Planning has never been more critical
- Make LTC Planning Relevant
  - ✓Consumers, rich and poor don't understand LTC and LTCi
  - ✓ Elevate the importance of LTCi at the level of strategy - NOT a product sale
  - ✓Agents historically have oversold out of there own agenda
  - ✓Product strategies that make LTCi more affordable
- The great untold story of LTCi's tax advantaged leverage
  - ✓Self-insuring - inefficient use of assets will cost you more if you need care
- Sales failure is a product of poor sales planning

Middle Class vs. Affluent Class

The Need For LTCi is There – The Argument May Be Different

Middle Class Reality

- LTC Planning is Essential
- Buying Time
- Financially Vulnerable
- Few Options
- Risk=Financial Devastation and Loss of Lifestyle

Affluent Class Reality

- LTC Planning is Essential
- Efficiency of Capital
- Financially Independent
- Has Options
- Can Shoulder Risk and Retain Lifestyle

First, The Middle Class – Who Are They?

Very broad and stratified market segment. Make sure you're targeting the right demographic segment!

- 23 million households earn $91,705 or more annually
- This demographic facilitates aspirations, aspires for more, and still dream of success
- **Bottom line:** They have something to lose

Middle class boomers are financially vulnerable

- 79 million strong
- First Boomer turns 65 January 1, 2011
- 7,000 are turning 65 every day for the next 19 years
- They're ill prepared financially for retirement

Inadequate savings in both 401ks and IRAs leaves this demographic financially vulnerable

Barely Enough to Retire On…
Then There's LTC

Ave. 401k balance for continuous participants (over 10 years)

- $163,900

Ave 401k balances by age bracket:

- 45-54 - $85,799
- 55-64 - $124,472
- 65+ - $148,959

2009 Fidelity Investments Survey

Most 401k Funds Remain Exposed to Market Volatility and Inappropriate Use

- 30% of investors in their 60s have 80% of their 401ks in equities
- 60% of all 401k participants cash out at least a portion of their 401k and use it for something other than saving for retirement
- **Bottom Line:** Weak savings rate coupled with inadequate LTC planning will turn many middle American Families upside down financially

statement of John C. Boggle, founder and Chief Executive of The Vanguard Group, before the Committee on Education and Labor, U.S. House of Representatives, Washington D.C., “Strengthening Worker Retirement Security”, February 2009

Make LTC and LTCI planning more relevant

Perception problem:

- LTC is a broader subject than consumers realize - not just the elderly are impacted
- This risk management issue is unique when compared to the other risks you manage
- Elevate the strategic importance of LTCI – not just asset protection
- Don’t oversell coverage out of your agenda – sell what’s affordable
- Strategies that can make LTCi more affordable beyond buy it earlier.

LTC is not just about the elderly and nursing homes

Problem:

Society's view about the term "Long-Term Care" is negative. Too closely associated with the infirm elderly in nursing homes.

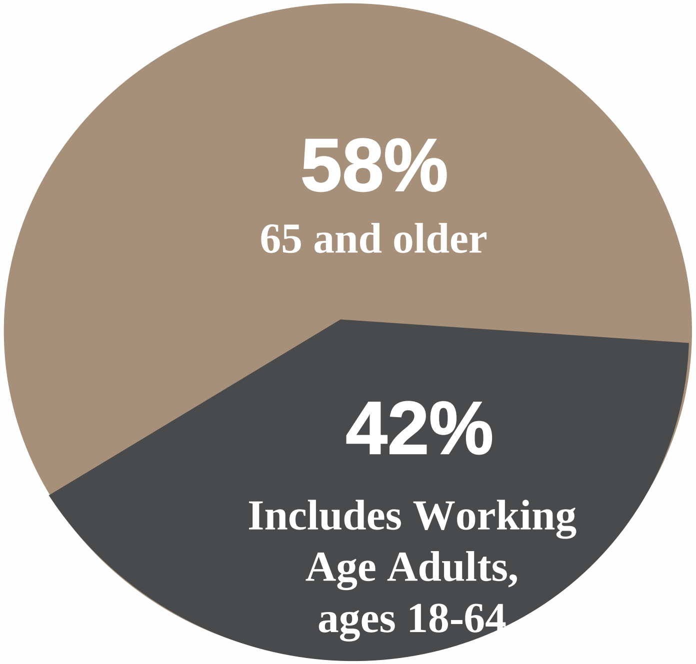
Flip the discussion:

LTC is really more closely associated with disability, one that's chronic in nature. Boomers are more akin to grasp that potentially.

What's your strategy to fund this event?

Not Just an Issue for the Elderly – Working Age Employees are At Risk

Forty-two percent of Americans who need long-term care are under age 65.



What do these people have in common with you?

Young as well as old are impacted by CHRONIC illness and disability:

- **Michael J. Fox** – diagnosed with Parkinson’s Disease at the age of 31
- **Christopher Reeve** – suffered a spinal cord injury following an equestrian even. He was a quadriplegic for 12 years before he died
- **Annette Funicello** – suffering from MS, was diagnosed in 1987
- **Dick Clark** – suffered two mild strokes since 2004

Understanding Risk

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

Compare and contrast this risk – it's quite different

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

Understanding The Risk

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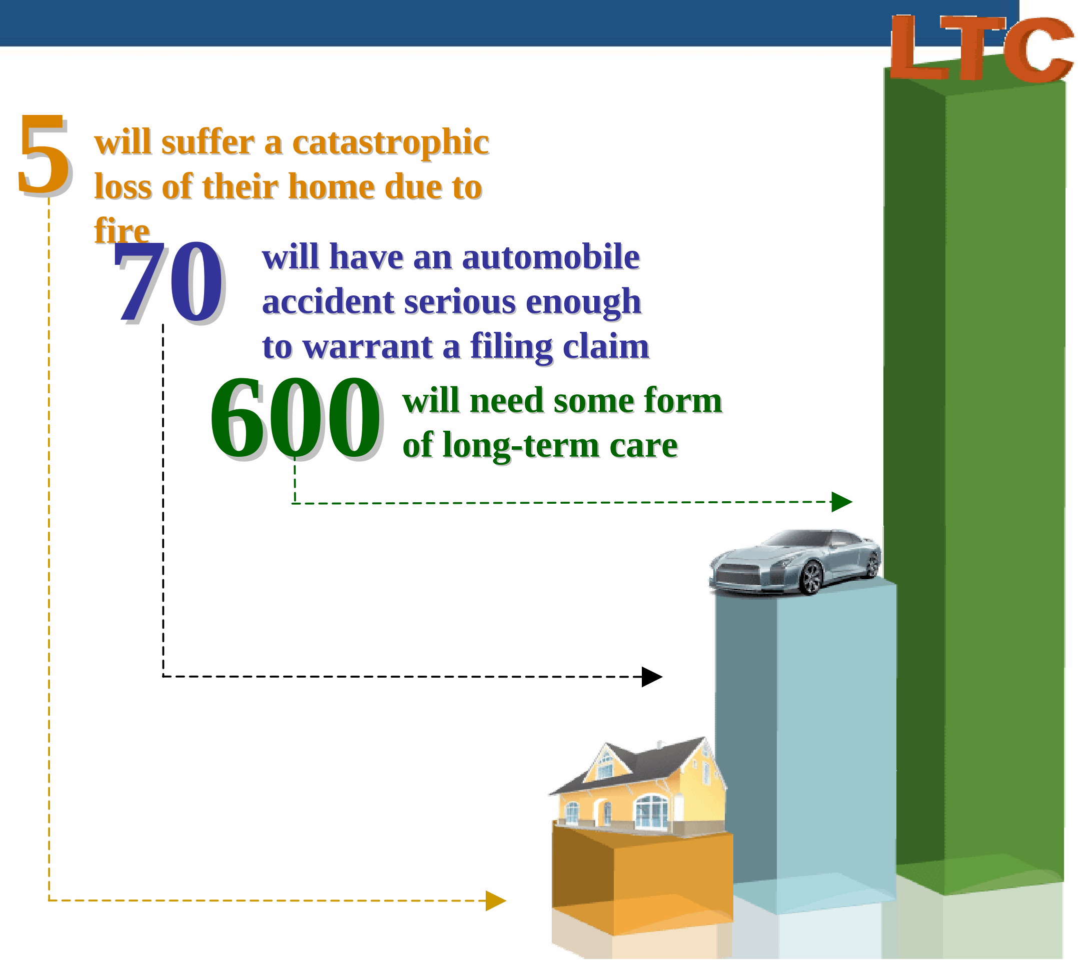


This Is LTC planning, NOT a product sale

- 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?
- A Long-Term Care event is the "Perfect Storm" – a risk with a high likelihood for occurrence with potentially unlimited exposure.
- LTCi - an added strategic planning component that protects the integrity of the goals of any estate plan
- Offers health care advocacy for the family as well
- For those who manage money, this is a strategy planners can indemnify their book of business.

Avoiding the Most Common Mistakes

The #1 reason people don't buy Long Term Care is sticker-shock

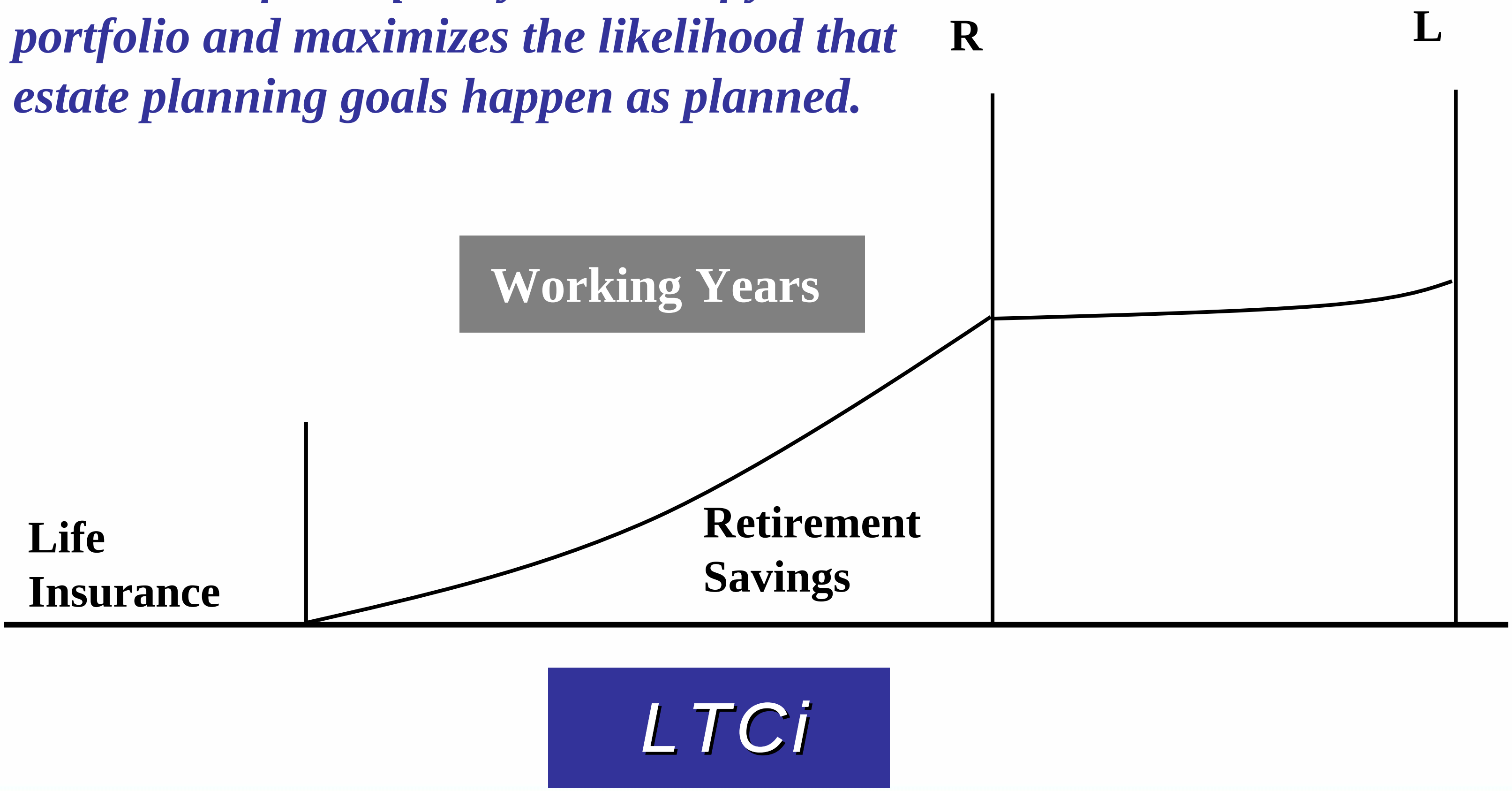
- Initial premium is way more than anticipated and they go into shutdown mode.
  - You may be talking, but nobody is listening

The #1 mistake agents/advisors make is overselling coverage and making it too expensive

- Overstating the importance of Lifetime coverage at 100% of the prevailing Nursing Home amount
  - It's not 1995 anymore, there is significant difference in premium between a 4-yr plan and lifetime, which is the average expected length of claim

Long-Term Care Insurance:
A Foundational Estate Planning Strategy

Creates tax-free liquidity outside of your portfolio and maximizes the likelihood that estate planning goals happen as planned.



Articulate and Explain Funding Strategies
Risk Management or Self-Insure

5% Compound 90 day EP, 100% ALF/HHC, Standard Rate

Purchase @ Age 55

Present Value Pool	84,000	126,000	168,000
Monthly Benefit	3,500	3,500	6,000
Annual Premium	904	1025	1882

Claim at age 85

Future Value Pool	363,045	554,569	933,537
Future Monthly Benefit	15,131	15,131	25,935
Total Premium Spent	27,121	30,750	56,460

Match Growth Self-Insure

Investment Growth @3%

Lump Sum	146,621	222,073	380,701
Annual Contribution	7,263	11,000	18,857

5% Compound 90 day EP, 100% ALF/HHC, Standard Rate

Purchase @ Age 55	**Use Insurance**
Present Value Pool	1,440,000
Monthly Benefit	15,000
Annual Premium	8,259

Claim at age 85	
Future Value Pool	6,223,596
Future Monthly Benefit	64,831
Total Premium Spent	247,770

Match Growth Self-Insure

Investment Growth @3%	**Self-Insure**
Lump Sum	2,665,276
Annual Contribution	132,020

Some Premium Management Strategies

There's Protection:

5% Compound – 4% Compound: -16%

5% Compound – 5% Comp/20 Yrs: -28%

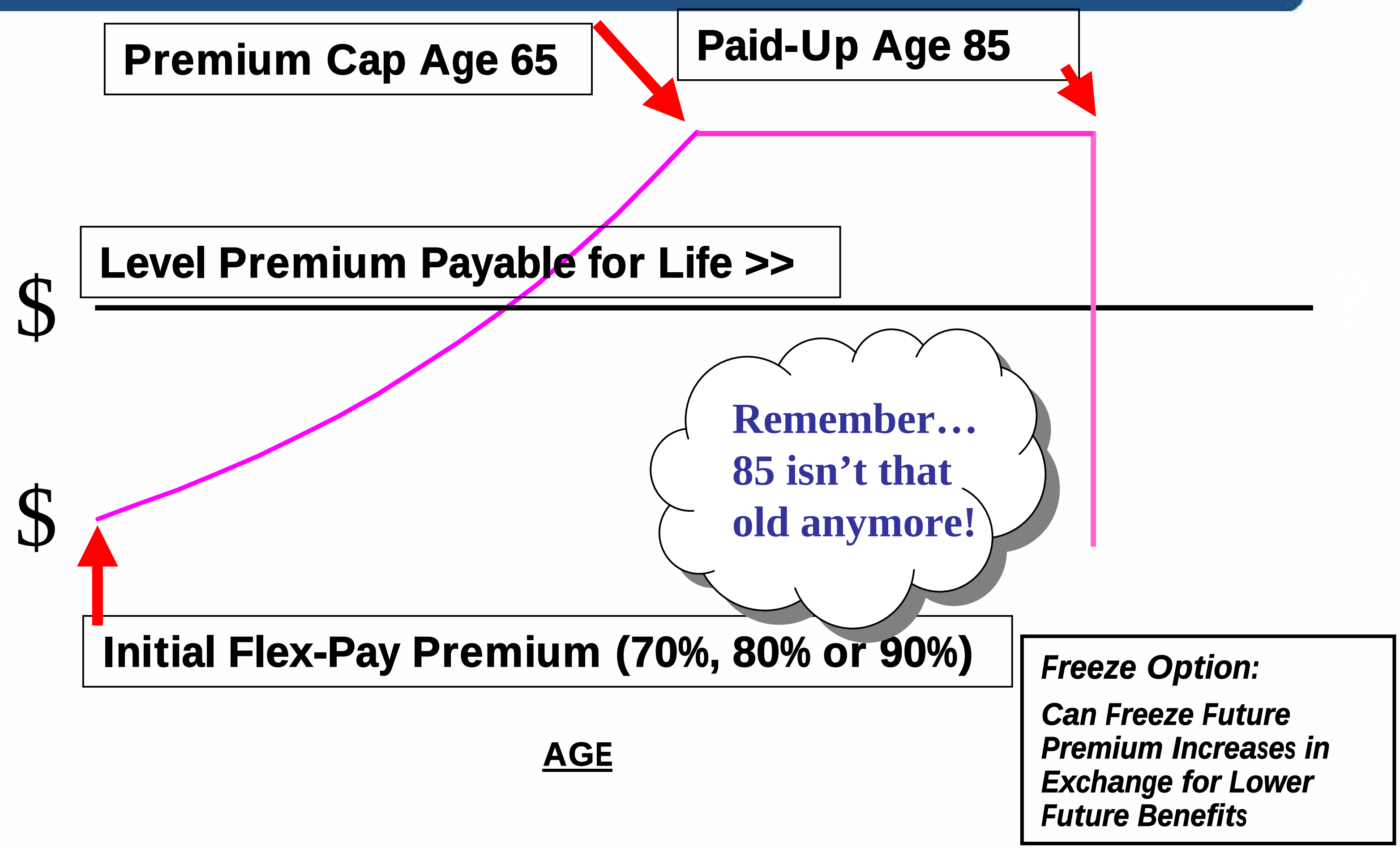
5% Compound – 3% Compound: - 32%

5% Simple – 3% Compound: -4%

An Idea For Individuals With Competing Financial Demands

- **Flex-To-Age 85:**
  - **Pay 70%, 80% or 90% of the actual premium due.**
  - **Keeps premiums low during policyholder's peak spending years**
  - **Premium levels off at age 65**
  - **Policy is paid up at age 85**

Flex-To-Age 85™ Premium Methodology



Interesting Expense Management Strategy

Age	Flex Pay Premium	Life Pay Premium
58	836.00	1195.00
59	908.00	1195.00
60	986.00	1195.00
61	1,071.00	1195.00
62	1,163.00	1195.00
63	1,263.00	1195.00
64	1,372.00	1195.00
65-85	1,490.00	1195.00
85	0.00	1195.00

Total Paid	**37,399**	**32,265**
86	0.00	33,460
87	0.00	34,655
88	0.00	35,850
88	0.00	37,045
89	0.00	38,240