Long-term care insurance protection may be 100% tax deductible as a business expense.

Plus, owners can choose who is covered, even spouses.

Preserve your post-retirement savings and assets using pre-tax corporate dollars.

Ensure you have choice and control when you need it most.

What's your plan for living a long life?

People are living longer ... into their 80s ... their 90s ... maybe even longer.

When you live a long life, you are more likely to need long-term care. Maybe you've seen this with an aging parent, family member or neighbor.

Special tax incentives for people who plan

Tax incentives are available to individuals and business owners who plan ahead. This guide explains the rules and the current IRS limits.

Federal & State Tax Incentives

Recognizing that government can't pay the bill for long-term care, federal and a growing number of state tax codes now offer tax incentives to encourage Americans to take personal responsibility for their future long-term care needs.

Valuable Deductions A Valued Benefit

Long-term care insurance may be fully deductible and business owners especially may be able to use pre-tax corporate dollars for your post-retirement asset protection.

Plus, this can be a valuable benefit to offer to selected key employees. Small groups may qualify for discounts – an added benefit.

LIVING A LONG LIFE IS A NEAR CERTAINTY

PLANNING FOR IT IS A REAL NECESSITY

NOT EVERYONE CAN QUALIFY FOR LONG-TERM CARE INSURANCE

Individuals must "health qualify" for LTC insurance. Because things can change tomorrow, it's smart to start planning today.

BECAUSE THINGS CAN CHANGE TOMORROW, IT'S SMART TO ACT TODAY

If you'd like to know more about tax-qualified long-term care insurance for yourself or your business, please ask me for no-obligation costs and information.

LONG-TERM CARE INSURANCE

- ✓ **Protects retirement plan savings.**
- ✓ **Allows loved ones to care about you rather than having to care for you.**
- ✓ **Is a smart tax move.**

This brochure provides a general overview of the subject. It is not intended to provide tax advice. Changes in the law may affect the information and your situation.

For more information, visit our Website: **www.AALTCI.org/tax**

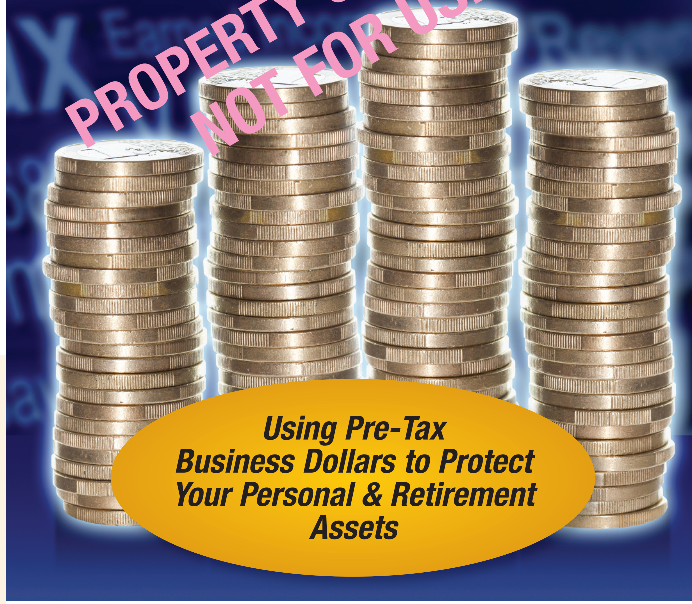
PM3-2012

The American Association for Long-Term Care Insurance is a national association for insurance and financial professionals.

GUIDE TO TAX-QUALIFIED

Long-Term Care Insurance Protection

FACTS *for* **BUSINESS OWNERS** *and* **SELF-EMPLOYED**



Using Pre-Tax Business Dollars to Protect Your Personal & Retirement Assets

2012 EDITION

with current updated tax limits

Published by the American Association for Long-Term Care Insurance Consumer Education Division

RULES FOR INDIVIDUALS

Individual taxpayers who itemize their tax deductions can treat premiums paid for tax-qualified long-term care insurance for themselves, their spouse or any tax dependents (such as parents) as a personal medical expense.

The yearly maximum deductible amount for each individual depends upon the insured's age at the close of the taxable year (see the chart for current limits). Deductible maximums are indexed to increase each year for inflation.

For individuals, premium amounts up to the age-based limit combined with traditional medical expenses are subject to the same tax rules such as being subject to the 7.5% threshold based on the tax filer's adjusted gross income for the year.

2012 FEDERAL TAX DEDUCTION LIMITS

Attained Age before close of tax year	*Limitation on Premiums Per Individual / For A Couple**
40 or less	$ 350 / $ 700
More than 40 but not more than 50	$ 660 / $1,320
More than 50 but not more than 60	$1,310 / $2,620
More than 60 but not more than 70	$3,500 / $7,000
More than 70	$4,370 / $8,740

Source: IRS Revenue Procedure 2011-52 • For same age couple

TAX SAVINGS TIPS

Long-term care insurance premiums may be paid from a Health Savings Account (HSA) up to the limits shown above.

Ask your LTC insurance professional about tax credits or deductions offered by your State.

RULES FOR SELF-EMPLOYED

Self-employed individuals can deduct tax-qualified long-term care insurance premiums as a trade or business expense similar to traditional health and accident insurance premiums.

A tax deduction is allowed for the self-employed individual, for his or her spouse and other tax dependents. The yearly deductible maximum for each covered individual is the age-based limits.

2012 FEDERAL TAX DEDUCTION LIMITS

Attained Age before close of tax year	*Limitation on Premiums Per Individual / For A Couple**
40 or less	$ 350 / $ 700
More than 40 but not more than 50	$ 660 / $1,320
More than 50 but not more than 60	$1,310 / $2,620
More than 60 but not more than 70	$3,500 / $7,000
More than 70	$4,370 / $8,740

Source: IRS Revenue Procedure 2011-52 • For same age couple

CUTTING TAXES IS NOT THE ONLY REASON TO ACT NOW

You may qualify for 'preferred rates' that LTC insurers offer to those currently in good health.

You'll save money because costs for long-term care insurance are based on your age when you apply, increasing each year you wait.

And, perhaps most important, 24 hours from now a change in your health could make it impossible to qualify for long-term care insurance … at any price.

RULES FOR PARTNERSHIPS S-CORPORATIONS LIMITED LIABILITY COMPANIES

Like any other employer, a Partnership or S-Corporation may deduct premiums paid for tax-qualified long-term care insurance paid for employees, their spouses and eligible dependents.

Partners and more-than-2% shareholders of S-Corps are considered to be self-employed 'owners'.

The amount of long-term care insurance premium paid for 'owners' is included in each individual's gross income for the year. The individual can then take a self-employed health insurance deduction for this amount, not to exceed the aged-based limits.

A **Limited Liability Company** (LLC) can take one of three forms: that of a sole proprietor; a partnership or a C-Corporation. An LLC's long-term care insurance tax treatment will depend on whether it is taxed like a partnership (the owners are self-employed) or a C corporation (see next section).

FOR EMPLOYERS/EMPLOYEES NO TAXATION OF BENEFITS

Employees (non-owners) are not taxed on premiums for tax-qualified policies paid for by employers.

Employers do not pay payroll taxes on amounts paid for long-term care insurance premiums.

Benefits paid under a tax-qualified 'reimbursement' policy are received income tax free by the individual. Benefits paid under an 'indemnity' policy are not taxed unless they exceed the higher of the cost of qualified long-term care services or $310-per-day (the 2012 limit).

RULES FOR C-CORPORATIONS

C-Corporations benefit from complete (100%) deductibility of tax-qualified long-term care insurance protection as a business expense similar to traditional health and accident insurance premiums.

100% tax-deductible insurance protection can be purchased for employees and owners. Company-paid policies can cover spouses even though they are not employed by the corporation … and even retirees.

Employer-paid long-term care insurance premiums are not reported or included as part of the employee's gross income. They are not included on W-2 statements. There's no payroll tax on amounts paid.

Corporations may create an "Executive Carve Out" plan whereby the corporation selects and pays the cost of LTC insurance protection for designated key individuals.

Companies may establish a plan for key executives along with other options whereby the employer pays a part of the cost or offers LTC insurance to employees on a purely voluntary basis.

BUSINESS OWNERS CAN SELECT WHO IS COVERED

Business owners can offer long-term care insurance coverage to whomever they choose without risking the loss of deductibility for themselves.

It is possible to create a bona fide class of select corporate employees that are eligible for this corporate-paid benefit (IRC S105/106 Medical Reimbursement Plan). Premium payments generally will be tax deductible when the class is based on such factors as officers of the corporation and length of service. Tax rulings have stipulated that the class cannot, however, be based on stock ownership. *Consult a tax advisor for details.*