Long-Term Care Insurance Planning
Protection for Business Owners and Key Executives

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Most executives invest a lot of time and money building their estate. Then they spend even more money protecting their property with policies such as homeowners and automobile insurance. Most, though, overlook a critical tool in asset protection, long-term care (LTC) insurance.

Why Is LTC a Concern?

The likelihood that an executive will require some type of extended custodial or medical support — and the cost of that care — keep rising. In fact, the odds of an individual experiencing the need for a LTC claim are one hundred twenty times greater than losing his or her house because of a fire or other catastrophic loss, according to the American Healthcare Association.

LTC costs pose a greater threat to savings than either home or auto claims. That is because both the probability and size of the typical LTC claim are much higher. Unfortunately, it does not take long for those expenses to put even a reasonably wealthy individual's assets in serious jeopardy.

Advances in medical treatment and technology are extending our lives longer than ever before. Unfortunately, living longer does not guarantee a good quality of life. The older we get, the greater the likelihood an individual will experience chronic medical conditions such as arthritis, Alzheimer's disease, joint replacement or a stroke. This creates a greater need for quality long-term or extended care.

In 2004, the national average cost for LTC services (skilled nursing home) was $70,000 per year, according to *MetLife's Mature Market Survey*[1]. What would you do if you developed a detrimental health condition that lasted several years? LTC insurance provides financial support that is affordable, necessary and timely.

What Are the Incentives for Employers?

Employers are looking at LTC insurance as a meaningful way to retain key employees, enhance benefits and reap significant tax benefits. These policies can protect the employee or business owner's personal assets with pre-tax dollars.

The Health Insurance Portability and Accountability Act of 1996 (IRC 213,162, and 105/106) created generous incentives for business owners to purchase LTC insurance for themselves, spouses, and key executives. Here are the highlights:

- There is a state tax credit available, but it varies by state
- Business owners can deduct 100% of premiums paid for employees
- Business owners can deduct up to 100% of their own premiums (including C corporations, S corporations, professional corporations, limited liability partnerships and limited liability companies)
- Spouses can be added to polices at significantly discounted rates and the premiums can be deducted
- Policy benefits are income-tax free
- Benefits do not inflate employees' incomes
- Carve-outs or "Discrimination" is allowed in offering coverage
- LTC insurance is fully portable
- Paid-up options are available in most states (10-pay and paid-up at age 65)
- Return-of-premium features may be available, but they vary by state and carrier

How Is LTC Insurance Beneficial?

LTC insurance can play a critical role in your clients financial plan. Not only will LTC insurance help protect assets, but it can help ensure independence, personal dignity, quality and choice in extended healthcare. Corporate and association discounts, premium deductibility and income-tax benefits can make LTC insurance a financially attractive way to protect assets.

[1.] MetLife Mature Market Survey of Nursing Home and Home Healthcare Costs, September, 2004.

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