

ADVANCED
MARKETS

Uncovering New Sales Opportunities: Estate Planning Meets Long-Term Care



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What Is Estate Planning?



GETTING MY ASSETS
TRANSFERRED...



TO MY LOVED
ONES...



WHEN AND HOW I
WANT TO...



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Documents To Consider



WILL



FINANCIAL
POWER OF
ATTORNEY



LIVING WILL



HEALTH CARE
POWER OF
ATTORNEY



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Will

Drafted in writing

Testator must sign will
and be legally competent

Most states require two
witnesses



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WHY HAVE A WILL?

Nominate guardian for minor children

Distribute assets

Nominate an Executor

Disinherit ?

Speed up the probate process



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Can I change my will?

- Childbirth
- Divorce
- Changes in family dynamics
- Anytime



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What happens if I don't have a will?

Intestacy statutes govern your:



Distributions



Executor



Guardian



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Can I disinherit my spouse?

Most states will provide a surviving spouse the right to choose their elective share



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Financial Power of Attorney

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- Agent has authority to act on your behalf
- Make binding legal and financial decisions
- Can be given “general” or “specific” powers
- Trustworthy individual



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Health Care Power of Attorney

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- Agent has authority to act on your behalf
- Make binding health care related decisions
- Oversees wishes set out in medical directive
- Trustworthy person



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Living Will

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Instructions for end of life situations

Relieves family from having to make
difficult decision



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What is probate?

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The judicial process that distributes a
person's assets after they die



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What if I could avoid probate?



Reduces costs



Reduces delays



Maintains privacy



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Are there other ways to transfer my assets?

- Beneficiary designation
- POD/TOD designation
- JTWROS
- Lifetime gifting
- Trust assets



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OBSTACLES TO ESTATE PLANNING



Unexpected costs
of long-term
healthcare



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Long-Term Care as an Estate Preservation Strategy



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The Overlooked Estate Planning Risk: Long-Term Care

- Most estate plans focus on what happens at death
- Long-term care is a risk that occurs during life & can prevent the plan from ever being implemented as intended
 - Long-term care expenses typically occur over many years
 - Costs are incurred before assets pass to heirs
 - Without planning, LTC can erode or eliminate an estate
 - The risk is not dying, the risk is living a long time and needing care



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Case Study:

The Shorts

- Both are 55 years old
- \$500,000 in IRAs
- House worth \$350,000
- They say no to LTCi coverage and "self-insure"



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The Longs

- Both are 55 years old
- \$500,000 in IRAs
- House worth \$350,000
- They purchase LTCi policies



The Longs' LTCi Coverage

- \$4,500/month each (\$9,000 combined)
- 90-day elimination
- 3% compound lifetime inflation
- Combined premium: \$4,140 annual (\$373 monthly)



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Let's Fast
Forward
25 Years:

Longs & Shorts
are now
80 years-old &
need long-term
care

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At Age 80....

- In-home care = \$160,000 per person (\$320,000 per couple)*
- Both couples will use Social Security income to pay some of their LTC expenses
- Leaving a \$110,000 annual shortfall per person (\$220,000 per couple)

*Mutual's Cost of Care Calculator



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Assets At Age 80...

The Shorts

- \$400,000 in IRAs
- \$700,000 in home value
- They both need LTC care at age 80



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The Longs

- \$400,000 in IRAs
- \$700,000 in home value
- They both need LTC care at age 80



What Happens When They Need Care at Age 80?

The Shorts – Self Fund

- No LTC policies
- \$320,000 annual cost
- \$100,000 from SS

How do they pay for care?

- From assets



The Longs - LTCi

- Monthly benefit now = \$9,422 each (\$18,844 combined)
- \$320,000 annual cost
- \$100,000 from SS

How do they pay for care?

- Remainder using their LTCi policies
- They pay for elimination period



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The Cost of 3 Years of Care...

The Shorts

- Age 80: \$220,000 (\$110,000 each)
- Age 81: \$226,600 (\$113,300 each)
- Age 82: \$233,400 (\$116,700 each)
- Total: **\$680,000 – all on them**



The Longs

- Age 80: \$165,735 of the \$220,000 paid by LTCi* (after \$54,265 combined elimination period)
- Age 81: \$226,600 paid by LTCi*
- Age 82: \$233,400 paid by LTCi*

*Tax Free



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What About Taxes for The Shorts?



The Shorts

- Age 80: \$220,000 needed
 - \$298,474 withdrawn from 401k
(24% effective income tax)
- Age 81: \$226,600 needed
 - Withdraw remaining \$110,526 from 401k (nets \$84,000) & remaining \$142,600 from equity in their home
- Age 82: \$233,400 from mortgaging house



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So, What is the Cost of LTCi vs. Self-Insuring?

The Shorts

- IRAs- gone
- \$324,000 remaining home value (\$700,000 - \$376,000)
- **\$324,000 for loved ones**



The Longs

- \$335,000 or so in IRAs (had to pay elimination period)
- \$700,000 in home value
- **\$1,035,000 for loved ones**
- Tax friendly
- Protected their legacy goals



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Questions

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