



An Advisors Guide to Hybrid Life/Long-Term Care Solutions



This guide is designed for use by licensed insurance and financial services professionals.

INTRODUCTION

In recent years, the long-term care insurance (LTCI) marketplace has evolved beyond traditional LTC insurance coverage to include combination plans that link life insurance and LTC insurance together. These products are called many different things (linked benefits, asset-based LTC, combo products, etc.), but we're referring to them as Hybrid Life/LTC insurance products. These products are built on life insurance chassis and include a rider that pays long-term care benefits to the policyholder. Over the past several years, the industry has seen double-digit sales growth with these types of products. In addition to the growth in sales that the industry is experiencing, we're also seeing new market entrants and carriers developing these types of products.

It's important that the insurance professional thoroughly understands, and is confident in explaining, how each of these policies and riders work, including advantages and disadvantages of each policy and rider. Clear and concise explanations will allow clients to make an informed choice for a solution they feel will help meet their needs and expectations.

WHY ARE ADVISORS AND CLIENTS SO INTERESTED IN THESE SOLUTIONS?

- Guaranteed premiums
- No "use of loss" component to the coverage
- Return of premium option
- The coverage shows as an asset on the client's balance sheet
- Flexible premium payment modes (1 pay, 5 pay, 10 pay, Pay to 65, 20 pay and continuous or lifetime payment options)
- Preferential tax treatment (1035 exchanges)
- LTC Rider premiums may be tax-deductible

WHAT IS A LONG-TERM CARE RIDER?

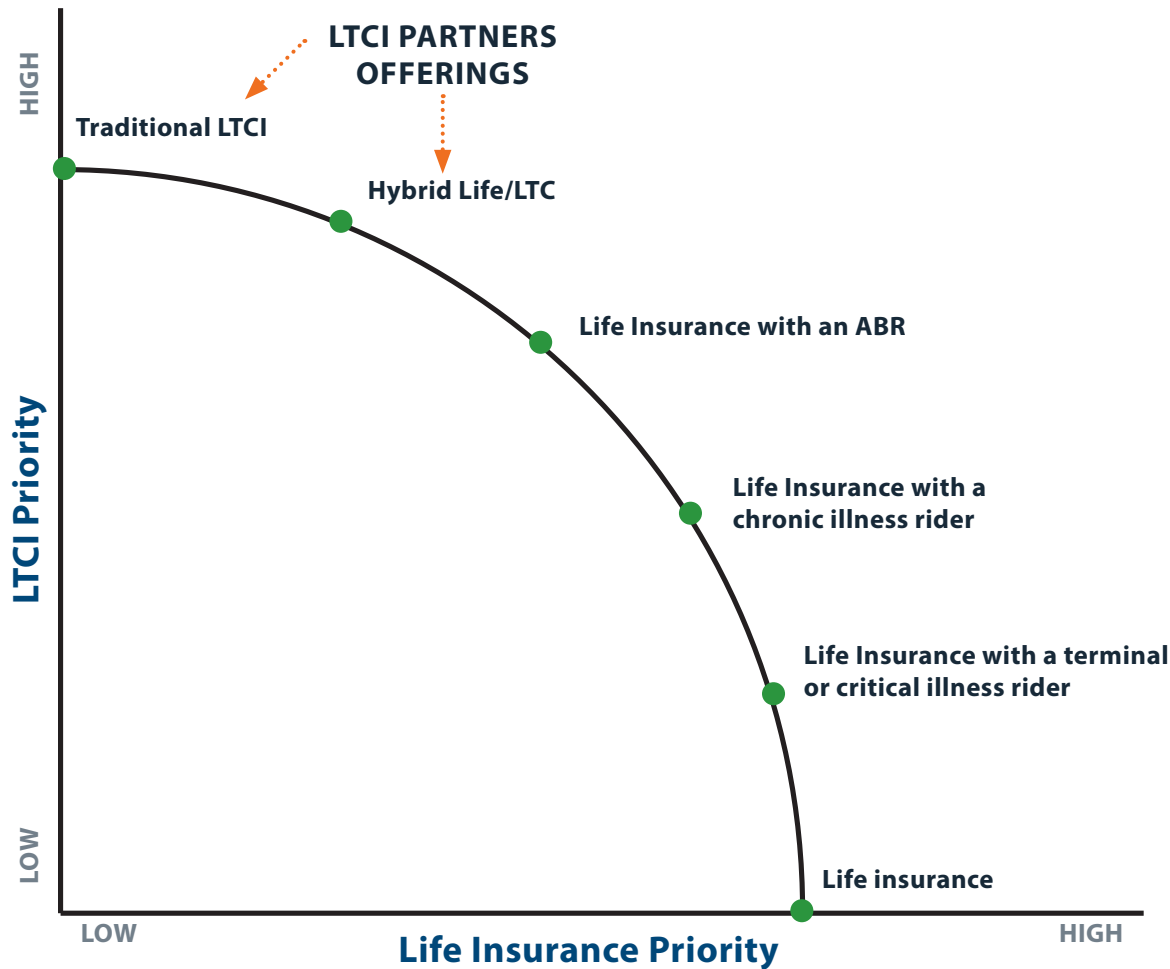
A qualified long-term care rider(7702B) (LTC Rider) is a rider attached to a permanent life insurance policy that accelerates death benefits to help pay for the costs of long-term care services for chronically ill insureds. To qualify as an LTC rider, the services requested must be provided pursuant to a plan of care prescribed by a licensed health care practitioner. An individual is considered chronically ill if he/she is unable to perform at least two of six activities of daily living (ADLs) without substantial help from another person for at least 90 days due to a loss of functional capacity. An individual may also be considered to be chronically ill if he/she needs substantial supervision to protect his or her health and safety because of a severe cognitive impairment.

We've created this guide to allow you to investigate all the possible options and help determine the best planning solution for your clients.



Please Note: this guide focuses solely on Hybrid Life/ LTCI plans with Tax-Qualified LTC Insurance riders.

LONG-TERM CARE INSURANCE PLANNING SOLUTIONS



COVERAGE HIGHLIGHTS

- Traditional LTC Insurance – The ideal prospect wants the lowest cost and most efficient way to cover LTC expenses.
- Hybrid Life/LTC Insurance – Prospect wants to solve a LTC problem, but wants Life Insurance, return of premium and guaranteed premium.
- Life Insurance with QLTCI riders – These are primarily Life Insurance buyers, who find the LTC component appealing (“nice-to-have” policy addition).
- Life Insurance with Chronic Illness or Accelerated Death Benefit (ADB) Rider – Buyers are looking to provide a death benefit to their beneficiaries, but like the sense of security of having benefits for a chronic illness, cognitive impairments or permanent disability.

WHAT'S THE BEST FIT

Each day, we're asked by advisors and their clients, "what's the best insurance solution"? We're certainly not trying to be evasive in our response, but it's usually, "it depends".

The optimal insurance solution varies from client to client, but what often times dictates our recommendation is based on what the client is trying to accomplish. Is it Life Insurance planning or LTC Insurance planning? The funding source or premium tolerance also tends to lead us to a specific solution.

Below you'll find a quick guide or pro's & con's of each type of planning solution.



LONG-TERM CARE INSURANCE

Protect your assets from an extended health care event

PROS:

- Inflation protection
- Care coordination concierge healthcare benefit
- Maximizes long-term care insurance leverage while minimizing premium commitment
- Tax-deductible for business owners
- HSAs

CONS:

- Premiums not guaranteed
- "Use it or lose it" premium (no cash value or return of premium)



HYBRID/LIFE LTC

Protect your assets & retirement savings from an extended health care event while retaining maximum flexibility

PROS:

- Standardized benefit trigger
- 1035 exchanges
- Tax advantages
- Maximizes flexibility and provides a substantial benefit for a long-term care insurance event
- Flexible payment options
- Return of premium
- Guaranteed premiums
- Life insurance and LTC benefits

CONS:

- Opportunity cost (if single premium option is selected)
- Not the same tax advantages for business owners for Life Insurance premiums



LIFE INSURANCE

Maximize your death benefit while retaining moderate flexibility

PROS:

- Largest death benefits
- Relatively low premium cost for rider
- Better suited to pay for benefits on a monthly basis, if needed

CONS:

- If LTC is needed, reduction of death benefits
- No return of premium
- Benefit triggers not standardized
- Benefits determined at claim time
- No inflation protection



FIXED OR INDEXED ANNUITIES

Long-term care options late in life potential with health concerns

PROS:

- Limited or no medical underwriting
- 1035 exchange tax advantage could turn tax-deferred growth to tax-free LTC payments

CONS:

- Limited or no inflation protection
- Typically no care coordination
- No tax advantages for business owners



SELF INSURED

Access to money now

PROS:

- Zero up-front costs while retaining liquidity

CONS:

- Not a healthcare plan
- No care coordination benefit
- Tax timing consequences

LTCI PARTNERS HYBRID LIFE/LTC PRODUCT PORTFOLIO

CARRIER & PRODUCT	FUNDING OPTIONS	RETURN OF PREMIUM	ISSUE AGES	KEY FEATURES	INFLATION OPTIONS	UNDERWRITING
Nationwide CareMatters II	Single pay, 5 pay, 10 pay, to age 65, to age 100.	100% after 5 year vesting, vested premium, or cash value/ maximum LTC	30 - 75	Indemnity benefit, 20% residual death benefit, calendar day elimination	3% simple or 3% or 5% compound, Medical CPI	Simplified
Securian SecureCare	Single pay, 5, 7, 10, 15 pay	100% after 5 year vesting for single pay, 1 year after last payment for multi-pay	40 - 75	Indemnity benefit, calendar day elimination	3% simple, 5% simple, 5% compound	Simplified
Pacific Life PremierCare	Single pay, 5, 7, 10 pay	Return of premium from day 1	30 - 75	0 day elimination for home care, full ROP from day 1	3% simple, 5% simple, 5% compound	Simplified
Lincoln Moneyguard III	Single pay or flexible premiums available to be paid up to the greater of 10 years or age 70	70% from day 1 or 100% after 11 years vested	30 - 70	No elimination, no penalty for smokers	3% or 5% compound	Simplified
OneAmerica AssetCare	Single pay, 10, 20 and Pay to 95.	Full ROP on base plan only	35 - 80	Lifetime benefits. Joint survivorship whole life product 0 day EP for home care	3% compound 5% compound for life or 20 years	Simplified or full based on health history or amount at risk
Brighthouse SmartCare	Single Pay, 2, 3, 4, and 5 pay	Not available - Indexed Universal Life Product	40 - 75	Choice of IUL investment growth, indemnity benefit, calendar day elimination	Indexed UL or Fixed Growth (5% compound)	Age 40-65 - simplified no phone interview Age 66-75 - phone interview

About LTCI Partners

LTCI Partners is a national brokerage firm specializing in Long-Term Care (LTC) Insurance solutions . We distribute insurance by partnering with financial services professionals (institutions and their advisors), employers and employee/executive benefits brokers, and we work directly with consumers (B2C) through their affinity or association relationships . Our product portfolio includes both Standalone and Hybrid Life/LTC Insurance and we represent over 10 different insurance companies . Our mission is simple - we want to make the process of planning for Long-Term Care easy for you and your clients .

For more information, visit **LTCIPartners.com**.

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