

Map Your Course

Help to Minimize the Risks to Your Retirement

The Cost of Health Care – No One Plans to be Chronically Ill



Over the years, you've likely spent time planning for your future. You've saved, you've taken care of yourself and you're ready to enjoy the result of all that planning – a comfortable retirement. Have you forgotten anything?

One thing: Have you considered what would happen to your plans should you become chronically ill? Costs of care, treatments and medication are expensive. Medicare and Medicare supplement insurance typically don't pay for all of your care because many times people choose custodial care provided by nonmedical individuals.

By the Numbers

No one plans to become chronically ill. However, the longer you live (and people are living longer), the more likely you'll be impacted by a chronic illness. Almost 70 percent of people over age 65 will require chronic care later in life – for an average of three years. And 20 percent of those individuals will need that care for longer than five years.*

The costs of long-term care services

Long-term care services can be expensive. Based on national average costs, people can expect to pay:**

- \$233 per day for a semiprivate room in a nursing home. That adds up to more than \$85,000 per year
- \$4,245 per month for a one-bedroom unit in an assisted living facility
- \$22 per hour for a home health aide

How will your retirement income hold up if you should need to pay for these services on top of your other expenses?

A Potential Strategy:

Here's a solution you may want to consider: In addition to your other retirement savings plans, you purchase an Income AdvantageSM Indexed Universal Life insurance (IUL) policy. This policy easily conforms to shifting goals – a death benefit during early years and a potentially increasing cash value¹ that can be accessed in the future once the death benefit need isn't as important.

Income Advantage IUL also comes with a Chronic Illness Accelerated Death Benefit Rider. This rider allows you to take a portion of your death benefit early if you're diagnosed with a chronic illness.

This money could be used to pay medical bills, to allow you to stop working and spend time with family, to take a dream vacation with your loved ones, or even to pre-plan and pre-pay funeral expenses. How you choose to use the benefit payment is up to you.

*Source: U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, October 2017.

**Source: Mutual of Omaha's Cost of Care Study, conducted by Long-Term Care Group, 2015, released 2016.

¹ The amount that may be available through loans and withdrawals, as defined in the contract.



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What are the requirements for using the Chronic Illness Rider benefits?

This rider provides an accelerated death benefit if the insured:

- is unable to perform two of six Activities of Daily Living (ADLs) for 90 consecutive days, as certified by their physician, or
- requires substantial supervision to protect himself or herself from threats to health and safety due to severe cognitive impairment

Activities of Daily Living include: bathing, using the bathroom, continence, dressing, eating and the ability to move into or out of a bed, chair or wheelchair.

With the Chronic Illness Rider, as long as you meet the requirements to qualify for benefits, you can access as much as you want (up to the maximum) and you can use the money for whatever you choose. You don't have to be confined to a nursing home and you don't have to submit receipts in order to receive your benefits.

How is the benefit calculated?

The maximum cumulative amount that can be accelerated is the lesser of \$1 million or 80 percent of the face amount as of the initial acceleration request.

The maximum amount that can be requested in a single year for chronic illness is capped by the IRS per diem limit at the time of acceleration. You don't have to request the maximum acceleration; the amount you choose to accelerate is up to you (subject to the maximum).

How often are benefits available?

As long as you have an accelerated benefit amount remaining, there's no limit to the number of chronic illness acceleration requests you can make, as long as there are at least 12 months between acceleration requests. Your policy will also come with a terminal illness acceleration benefit. Once there's a request for a terminal illness acceleration, there can't be any more chronic illness acceleration requests.

What if I don't use the Chronic Illness Rider benefits?

With the Chronic Illness Rider, there is no additional cost unless you need to use the benefit. If you don't need it, you still have a full death benefit, or can access the policy's cash value² through loans and withdrawals.³ This can help supplement your retirement income.

Is there a cost for the rider?

There is no upfront cost to include the rider with your Income Advantage policy. It's included with all policies at no additional charge.

If you should need to exercise the rider, an "actuarial discount" will be deducted from the requested acceleration amount, as well as a \$100 processing fee. The actuarial discount is based on your life expectancy and the Moody's Corporate Bond Yield Average (see Case Study).

What is the actuarial discount?

When insurance companies price the cost of life insurance, they plan on you receiving the full death benefit upon your death. Since you are taking a portion of your death benefit early, you are getting an advance payment. The actuarial discount rate is the company's way to take into account the time value of money between your advance payment date and your life expectancy (when you are expected to die). The shorter your remaining life expectancy, the less your actuarial discount will be.

² The amount that may be available through loans and withdrawals, as defined in the contract.

³ Any policy withdrawals, loans and loan interest will reduce policy values and benefits.



A Case Study

Jeffrey purchased a \$1 million Income Advantage policy at age 50. Later, he was diagnosed with advanced stage 5 Parkinson's Disease. Currently, he is unable to perform two of six ADLs and his doctor estimates he has two years to live.

Jeffrey has a maximum total acceleration limit of \$800,000, and he has requested a \$100,000 acceleration benefit.

This allows him to receive an accelerated death benefit that is meaningful to him.

He can use it to help pay medical bills, to allow him to stop working and spend time with family, for him to take a dream vacation with his loved ones, or even for him to pre-plan and pre-pay his funeral.



Calculating Jeffrey's Benefit

Requested Acceleration	\$100,000
Minus the 9% Actuarial Discount (4.5% discount rate* X 2-year current life expectancy)	\$9,000
Minus the Flat Charge	\$100
Acceleration Amount	\$90,900

After taking his accelerated benefit, Jeffrey still has \$900,000 in remaining death benefit and \$700,000 in remaining accelerated death benefit option.

Taking an additional accelerated death benefit payment

The following year, Jeffrey requests an additional \$75,000 in accelerated death benefits. His actuarial discount is less since he now only has a one-year life expectancy.

Calculating Jeffrey's Benefit

Requested Acceleration	\$75,000
Minus the 4.5% Actuarial Discount (4.5% discount rate* X 1-year current life expectancy)	\$3,375
Minus the Flat Charge	\$100
Acceleration Amount	\$71,525

Jeffrey now has \$825,000 in remaining death benefit and \$625,000 in remaining accelerated death benefit option.

*Examples assume a 4.5 percent hypothetical discount rate. The actual discount rate will be determined at the time of each acceleration request, but is guaranteed not to exceed 6 percent.



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All guarantees subject to the financial strengths and claims-paying ability of the issuing insurance company.

Income AdvantageSM – Sex Distinct Policy Forms: ICC15L123P, or state equivalent; in FL, D501LFL14P. Unisex Policy Forms: ICC15L124P, or state equivalent; in FL, D502LFL14P.

Rider Form Numbers: Terminal Illness Accelerated Death Benefit, ICC13L098R, or state equivalent; in FL, D433LNA13R. Chronic Illness Accelerated Death Benefit, ICC13L099R, or state equivalent; in FL, D478LFL13R.

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