Long-Term Care rider

Seller's Guide

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John Hancock's Long-Term Care rider

Preparing a comprehensive financial plan should include discussions about "just-in-case" scenarios, such as how your clients would handle a long-term care event if it should occur. This guide addresses some questions to consider — and shows how a permanent life insurance policy with a Long-Term Care (LTC) rider[1] from John Hancock offers a very meaningful solution.

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The opportunity

The following provides details to help you in those discussions.

- **Life insurance policies have changed a lot over the years** and your clients may not be familiar with all the benefits — such as LTC — that life insurance has to offer such as life insurance with LTC rider can be used to help pay for LTC expenses
- **A majority (67%) of individuals polled have done no planning** for their own long-term care needs[2]
- **Family caregivers taking care of aging parents are in worse health** compared to five years ago[3]

Will your clients be ready?

While no one can predict the future, discussions about what could happen — such as the potential need for long-term care — can result in your clients being better prepared. Without a proper plan in place, many are faced with relying on family members to provide care. The purpose of LTC coverage is to help take the responsibility off their family and help alleviate the emotional, physical and financial toll that caregiving can place on clients' loved ones. Here's why:

Nearly 50 million adults in the U.S.

are providing personal assistance for family members with disabilities or other care needs.[4]

Up to 70% of caregivers

have clinically significant symptoms of depression.[5]

The national average for 24-hour home care or one year in a nursing home is

more than $105,000.[6]

Are your clients prepared for future costs?[6]

Care setting	2018 National average annual costs[6]	2018 Unit cost[6]
Nursing home: private room	$105,485	$289 daily
Nursing home: semi-private room	$92,710	$254 daily
Assisted living facility	$56,700	$4,725 monthly
Home health care aide	$37,440	$24 hourly
Adult day care	$18,720	$72 daily

If there is no plan, there are limited options when there is a need for LTC. Given its high cost, many family members have little choice but to step in and provide this very physically and emotionally demanding care.

How will your clients pay for LTC?

Your clients may be considering several options to handle any eventual long-term care costs. The following lists some common choices and provides points to help guide your discussions.

"Self-insuring"	Can put a very significant portion of a clients' retirement income at risk (and drain assets clients want to leave for surviving spouse or other heirs).
Family members	Over time, can have significant impact on caregivers' lifestyle along with their physical, financial and emotional well-being.
Medicare	Only pays for skilled and rehabilitative care. May cover a portion of the first 100 days, if certain conditions are met.
Medicaid	Available only for the long-term care needs of those with very little income and assets. Typically exclusively for nursing home costs (i.e., limited options for home health care).
Standalone LTC insurance policy	Long-term care coverage in place whether the need arises or not, i.e., clients may pay premiums for benefit they never use. Good option if clients already have life insurance.

How can John Hancock help?

A John Hancock life insurance policy with a LTC rider is a more cost-effective choice than buying separate life and long-term care insurance policies.

What's more, this option gives your clients the flexibility to:

- **Use all, some or none of their life insurance benefit** to pay long-term care expenses
- **Help alleviate a potentially significant financial burden,** along with the substantial physical and emotional concerns that their spouse, children or other family members could face if a long-term care event occurs
- **Leave a larger legacy,** as any portion of the death benefit not used for care is passed along to beneficiaries at the time of the insured's death.

If your clients have not allocated anything to pay for long-term care, they may end up allocating everything.

How it works

Client elects an accelerated benefit percentage and monthly acceleration percentage — when applying for life insurance policy

Client is unable to perform two of the six activities of daily living (ADLs) without substantial assistance (bathing, dressing, eating, continence, toileting, and transferring), or supervision is required due to a **cognitive impairment**

Client satisfies elimination period

John Hancock reimburses qualified LTC expenses incurred each month up to the client's maximum monthly benefit amount

- Client can pay for access to specialized care and services
- Money not spent on LTC remains in policy for beneficiaries
- Retirement income can continue to be used as intended to pay day to day expenses and support retirement goals

Your clients should never have to face their long-term care needs alone. When they have a John Hancock life insurance policy with the LTC rider in place, they (and their families) can rest assured we are here to support them every step of the way.

Key points

A competitive solution

- Unlike other carriers, our rider rate is guaranteed to never increase. Additionally, when receiving LTC benefits, the policy and rider charges will decrease
- Typically, riders using a reimbursement model are less expensive than those using an indemnity model, meaning your clients can either spend less for their coverage or buy more coverage

Income tax free benefits

- Because we reimburse for qualified LTC, 100% are tax free.
- Our maximum monthly benefit amount is $50,000, four times higher than the tax-free per diem limit

Benefit preservation

- By accessing only the funds necessary for their care, clients can preserve their LTC benefit pool, thereby extending their coverage period
- Clients can also preserve a desired death benefit for their heirs by limiting how much to make available to pay for LTC
- Any LTC benefit not spent on care is paid out as a death benefit

Quality and choice of care

- By paying for professional care providers, your clients have access to a higher quality of care
- When your client needs benefits John Hancock can refer clients to Provider Pathway, a resource, referral and consultation service who can negotiate discounted rates with nursing homes and home health care agencies across the country
- Clients can also accelerate up to one maximum monthly benefit to pay for stay-at-home services, which can help them remain in their own homes — both more safely and for longer

Simplify benefit payment

- Clients can turn billing responsibilities over to us
- By assigning benefits, they authorize us to work directly with care providers to obtainreceipts and make payments

Tailored benefits from Provider Pathway

Provider Pathway offers a broad range of services to help meet your clients long-term care needs, including:

- **developing a service plan**
- **identifying services in their area**
- **negotiating access to those services at a reduced rate.**

Getting the conversation started

Many people have had experience with long-term care, either in their immediate family or among close acquaintances. You can use that connection to get the conversation started, encouraging them to think about what the impact could be to their family and their finances without a plan in place. Even if they have not had firsthand long-term-care experience, share what you have learned about the emotional and physical consequences that providing care could have on their family and the financial consequences paying for it could have on their plans for a secure retirement.

Here are some questions that can help you explore the need for long-term care coverage with your clients:

What's your experience?

- Have you had an experience with long-term care among your immediate family or close friends? What was the impact on the family?
- Did the children have to step in?
- Were they able to bring in outside help?
- What was the quality of the care — did it fully meet the needs of the family member/friend?
- How did they pay for it?
- Did it have an impact on their retirement portfolio?

What's your plan?

- Where would you prefer to receive care?
- Who would provide your care?
- How will you pay for it?
- Would it effect your retirement income?
- Which discretionary expenses do you think you will have at that time?
- If needed, which asset would you use first?
- What impact would this have on your overall retirement/legacy planning?

How can John Hancock help?

John Hancock's Long-Term Care rider can help provide protection for both your clients and their finances if a need for long-term care arises in the future. Not only does it give your clients a resource to draw on to help pay for long-term care costs, it also shields their family from the physical, emotional and financial toll of being primary caregivers. What's more, it provides your clients the resources to hire professionals to safely assist them, without having to rely on your family members. Finally, when a portion of your life insurance policy is allocated to pay for your clients long-term care expenses, it also protects your financial plans for a secure retirement.

For more information about the Long-Term Care rider,
visit JHSalesHub.com.

Note to producers

Most states have adopted the training requirements outlined in the Deficit Reduction Act of 2006 and the NAIC Long-Term Care Model Act. These require producers selling LTC insurance products, including LTC riders, to take an initial eight-hour NAIC Partnership training course, followed by a four-hour refresher every two years. All courses must be approved by ClearCert in order to be accepted as valid training.

- To determine if a course is approved, please visit clearcert.com/search-courses
- To take an approved course at a discounted rate, please visit JHInsuranceCE.com

Not applicable in CA, CT, DC, IN, HI, MS and NY.

1. The Long-Term Care (LTC) rider is an accelerated death benefit rider and may not be considered long-term care insurance in some states. There are additional costs associated with this rider. The maximum monthly benefit amount is $50,000. When the death benefit is accelerated for long-term care expenses, it is reduced dollar for dollar, and the cash value is reduced proportionately. The benefits provided by this rider are designed to be excludable from gross income under federal tax law; however, there might be situations in which the benefits or charges for this rider are taxable. Please go to JHSalesHub.com to verify state availability. This rider has exclusions and limitations, reductions of benefits, and terms under which the rider may be continued in force or discontinued. Consult the state specific Outline of Coverage for additional details.

2. Long-Term Care in America: Views on Who Should Bear the Responsibilities and Costs of Care https://www.longtermcarepoll.org/project/long-term-care-in-america-views-on-who-should-bear-the-responsibilities-and-costs-of-care/.

3. Caregiving in the U.S. 2020. Accessed Julne 2020. https://www.caregiving.org/caregiving-in-the-us-2020/.

4. State Caregiver Profiles 2017–2020, AARP Research, https://www.aarp.org/research/topics/care/info-2018/state-caregiver-profiles.html.

5. Family Caregiver Alliance. National Center on Caregiving. Caregiver Health. Accessed June 2018. https://www.caregiver.org/caregiver-health

6. Based on the 2018 John Hancock Cost of Long-Term Care Survey.

Guaranteed product features are dependent upon minimum-premium requirements and the claims-paying ability of the issuer.

Insurance policies and/or associated riders and features may not be available in all states.

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Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 1/2.

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