



Nationwide®

# The New Wealth Transfer

Making room for long-term care insurance in the estate plans of the wealthy

Brought to you by the Advanced Consulting Group,  
powered by Nationwide Retirement Institute®

# Important things you should know

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

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NFM-16147AO.9 (04/25)

# Important things you should know

When evaluating the purchase of a variable annuity, your clients should be aware that variable annuities are long-term investment vehicles designed for retirement purposes and will fluctuate in value; annuities have limitations; and investing involves market risk, including possible loss of principal.

This information assumes that the life insurance is not a modified endowment contract, or MEC. As long as the contract meets the non-MEC definitions of IRC Section 7702A, most distributions are taxed on a first-in/first-out basis. Surrender charges may apply to partial surrenders. Loans and partial surrenders from a MEC will generally be taxable, and if taken prior to age 59 ½, may be subject to a 10% tax penalty. Loans and partial surrenders will reduce the cash value and the death benefits payable to your beneficiaries, and withdrawals above the available free amount will incur surrender charges. If your contract were to lapse with a loan outstanding, the loan amount in excess of basis will be treated as a distribution and all or a portion will be subject to income tax.

The underlying investment options to a variable annuity or life insurance product are not publicly traded mutual funds and are not available directly for purchase by the general public. They are only available through variable annuity/variable life insurance policies issued by life insurance companies.

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# Important things you should know

As your clients' personal situations change (i.e., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure these strategies and products are suitable for long-term life insurance needs. You should weigh your clients' objectives, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in the policy. Variable life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as gender, health and age, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your clients' individual needs.

Not all Nationwide products and services are suitable for all clients or situations. There may be products, issued by other companies, which better suit your clients' goals. Be sure to consider your clients' objectives, their need for cash flow and liquidity, and overall risk tolerance when using any strategy.

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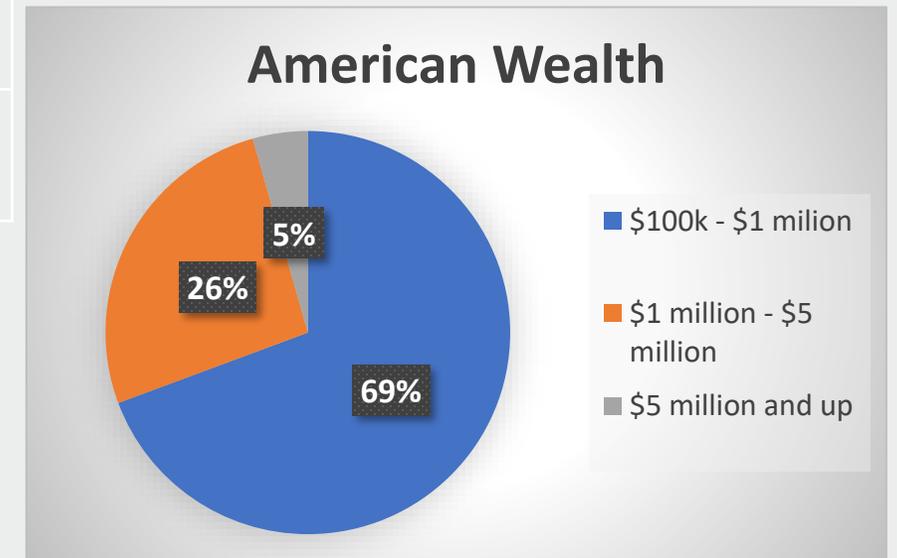
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# Agenda

- Trends in wealth and health in America
- Estate planning for the mass affluent
- Estate tax planning for the high net worth
- Long-term care funding solutions

# Wealth in America

	Number of Households*	Average Age**
\$100,000 - \$1,000,000	33.1 million	58
\$1,000,000 - \$5,000,000	12.55 million	63
\$5,000,000 +	2.052 million	67

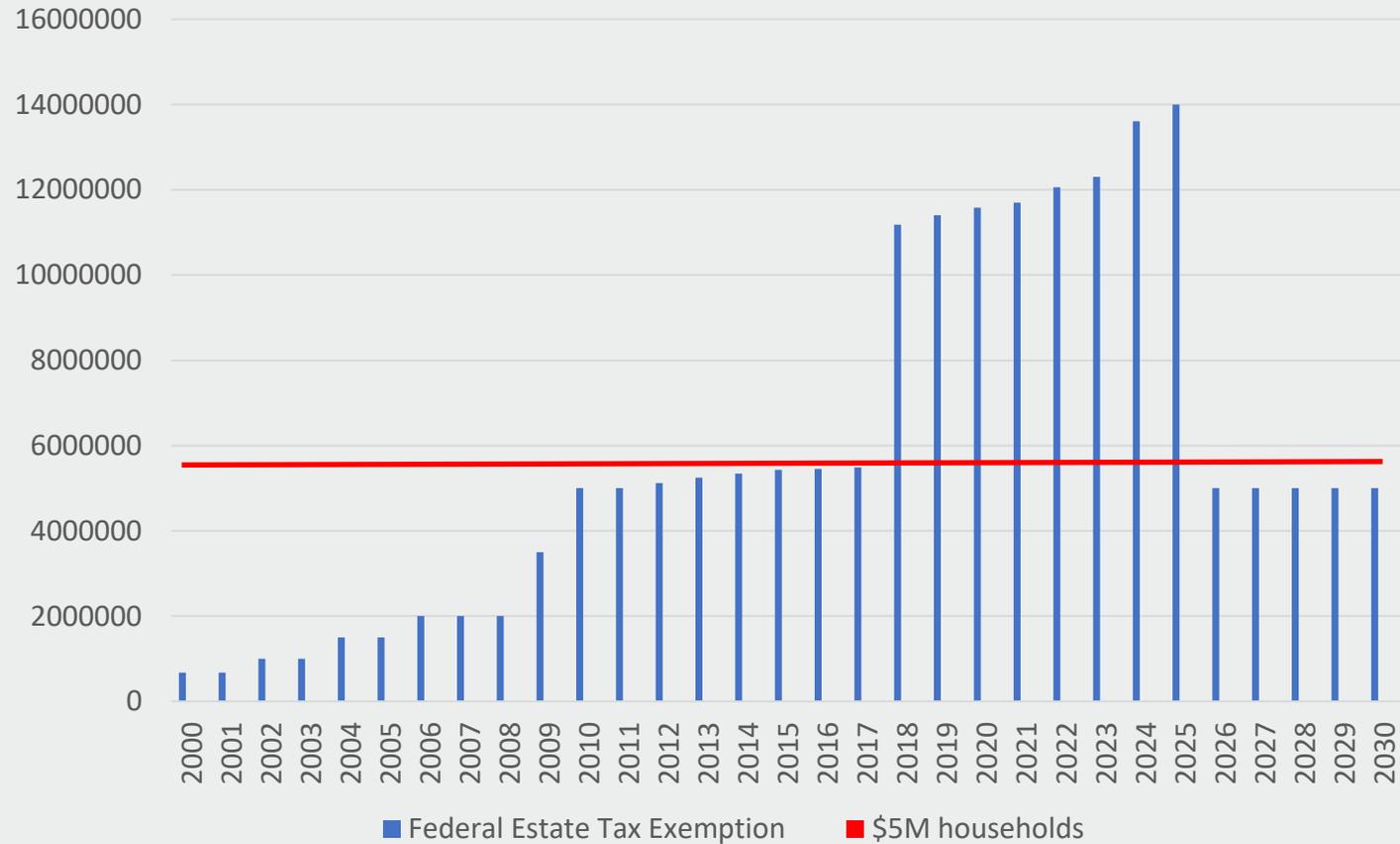


\* Spectrum Group, Market Insights Report 2022

\*\* Spectrum Group, Market Insights Report 2015, March 2016 Press Release

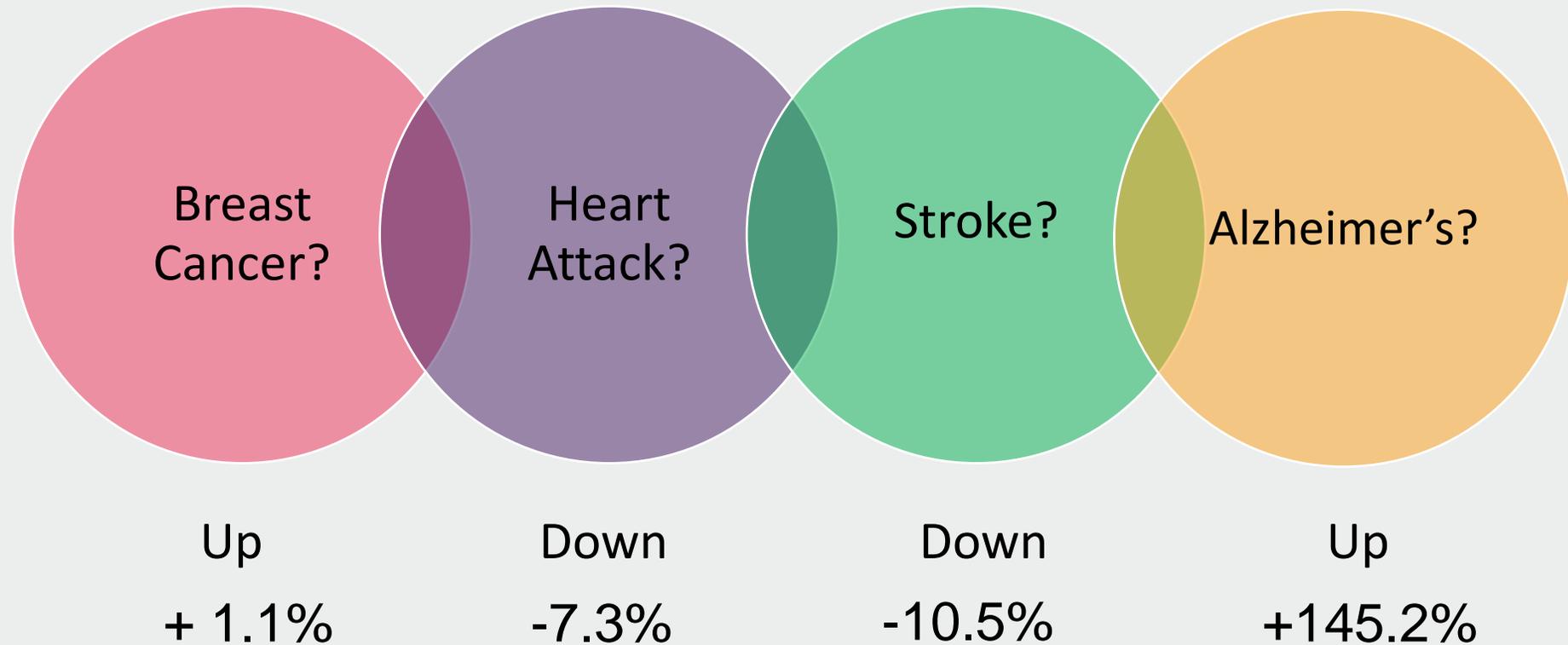
# Wealth in America

Wealth in America &  
the Federal Estate Tax Exemption



# Health in America.....

How has mortality changed as a result of the following health conditions since the year 2000? **Up** or **down**?



Source: Alzheimer's Association, 2023 Alzheimer's Disease Facts and Figures Report

# .....Health in America

- The longer you live, the more likely you will need long-term care services?
- **True or False?**

**TRUE<sup>1</sup>**

- Between 1980 and 2010, what was the increase in percentage of people living to age 100?

**66%<sup>2</sup>**

# Trends in American Wealth & American Health

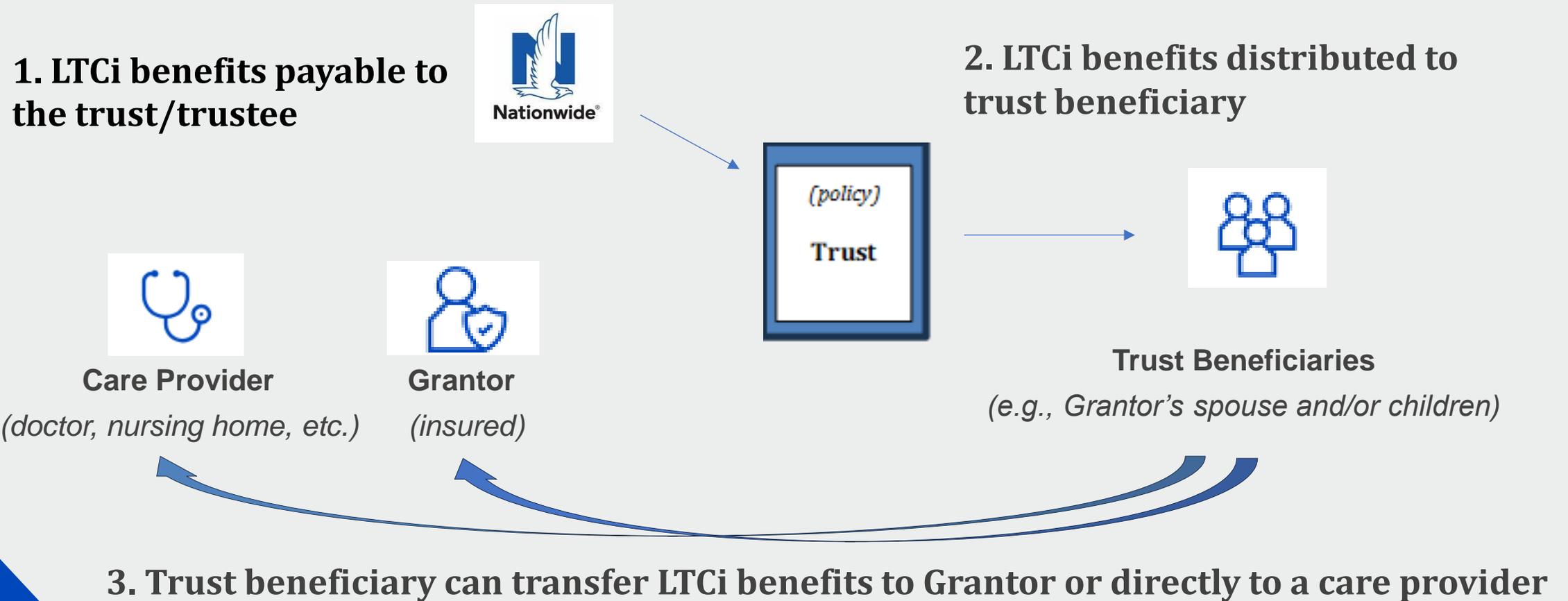
- **The costs of LTC have become the new estate tax for the mass affluent**
  - The largest threat to wealth transfer planning for the mass affluent is the costs of LTC
- **Nationwide LTC Cost Comparison Map**
  - \$105,060/year – current average cost of private nursing home room
  - \$67,566/year – current average cost of assisted living facility
  - \$63,551/year – current average cost of home health aid (40 hrs./week)

<https://nationwidefinancialltcmap.hvsfinancial.com/>

# Trends in American Wealth & American Health

- **The costs of LTC have become the new estate tax for the mass affluent**
- **Mass affluent with irrevocable trusts**
  - Repurposing their ILITs for the costs of long-term care
    - Add a LTC rider to policy post-issue\*
    - 1035 exchange\*
- **What if the insured has a LTC event?**

# Getting LTCi Benefits out of a Trust (SLAT/BLAT)



## The Wrong Way for the High Net Worth to Think About LTCi



# LTCi Planning for the High-Net-Worth is Actually a Money Maker



## High Net Worth with Federal Estate Tax Liability

- These clients who self-fund have a *unique risk*.....  
**“the cost of getting lucky”**
- Self-funding LTC means using monies inside the estate to pay for LTC expenses
  - Funds not used for LTC could be subject to estate tax



## How might self-funding affect a high-net-worth client?

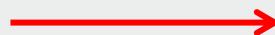
**\$1 million**



48% chance of **not** needing  
this asset at all for LTC costs<sup>1</sup>

**No LTC Event**

***Cost of getting "lucky"***



The untouched **\$1 million** would be  
estate taxed (**\$400,000**)

# High-net-worth client who was prepared for a LTC event

**\$1 million**



Uses **\$432,420** to purchase  
\$1,000,000 LTCi product in ILIT



**No LTC Event**

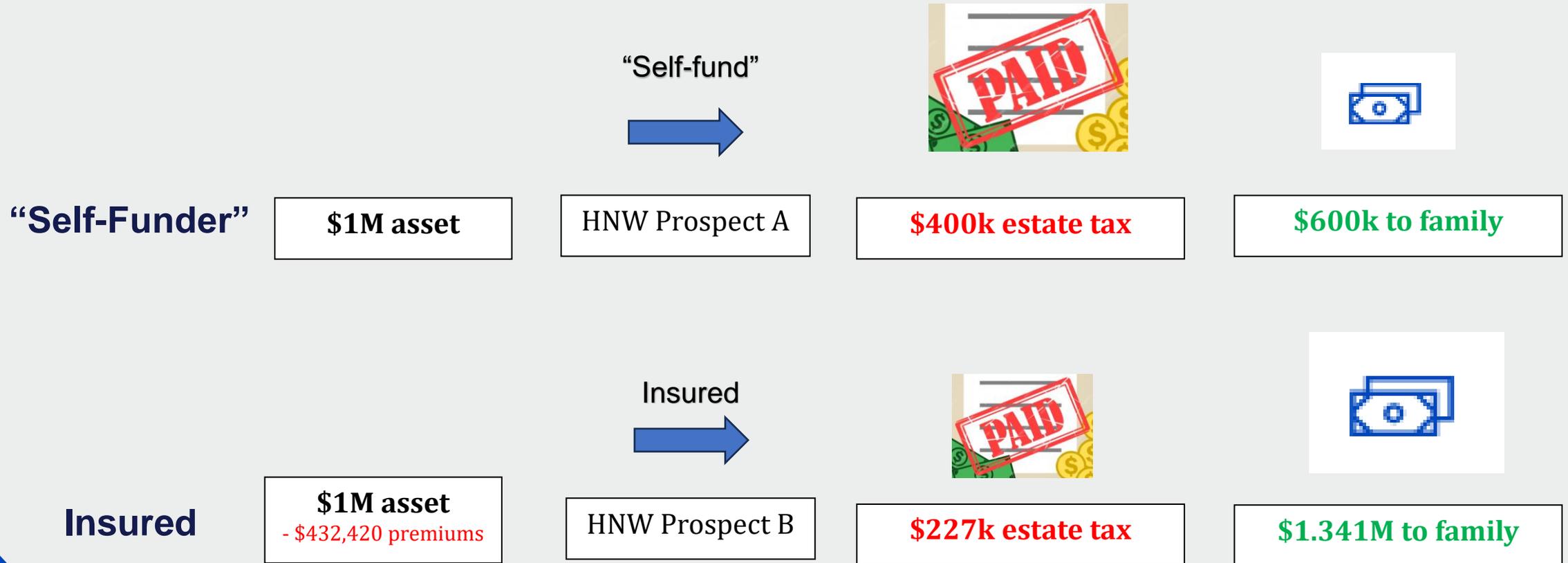
48% chance of **not** needing  
this asset at all for LTC costs<sup>1</sup>

The remaining \$567,580 is subject to **estate tax (\$227k)**; **\$341k is left for estate heirs**

Trust beneficiaries receive **\$1M death benefit**

# The Cost of Getting Lucky (vs. The Benefits of Being Prepared)

**\$173k MORE estate taxes**  
**- \$ 741k less to family**



## The High-Net Worth & Long-Term Care Planning

- High-net-worth with ILITs: Add an additional LTCi product to trust
- Regardless of whether the high-net-worth client has a LTC event, he/she will be in a better financial position by being prepared for one:
  - **Leverage** provided by life insurance and LTCi;
  - **Estate tax mitigation**; and
  - **Enhanced wealth transfer** for the family!
- If LTC event occurs, use of SLAT/BLAT provisions
- Or if looking for **additional estate tax mitigation** and **maximum wealth transfer**, consider loans

# The High-Net-Worth Experience a \$1M LTC Event

- \$227k less estate taxes - \$441k less to family!

“Self-Funder”

\$1M asset

“Self-fund”



HNW Prospect A

\$0k estate tax

\$0k to family

LTCi Benefits +  
SLAT/BLAT

\$1M asset  
- \$432,420 premiums

Insure



HNW Prospect B

\$227k estate tax



\$1M LTCi benefits

\$440,548 to family

## High Net Worth Case Study: LTCi Benefits + Loans

### Estate Tax Planning with Long-Term Care Insurance Benefits

Our client, Jane, has a \$5 million estate tax liability

- Has an ILIT with \$5M of life insurance coverage
- Adds an additional \$1 million LTCi product to the ILIT

Assuming the following loan provisions

- Interest rate is 8%
- Loan interest allowed to accrue; capitalized monthly
- Collateral can be the vacation home

# The Results

## Jane Needs Long-Term Care

- Nationwide pays LTC benefit to trust (\$20,000 monthly benefit; payable for 4 years 2 months)

Jane borrows funds to pay LTC expenses

Interest is capitalized monthly

Jane dies about 5 years after going on claim

<b>Estate Debt to Trust</b>	<b>\$1,250,000</b>
LTC benefits paid	\$1,000,000
Accrued, capitalized interest	\$250,000

## At Client's Death

Death claim is filed; **\$5 million** is paid to the trust

Estate repays debt to trust - \$1,250,000

Total amount in trust - \$6,250,000

The debt + capitalized interest transferred from Jane's estate to the trust has saved **\$500,000** of estate taxes

The longer Jane lives, the bigger the estate tax savings;

The larger the LTC benefits paid, the bigger the estate tax savings.

# The High-Net-Worth Experience a \$1M LTC Event

**+ \$273k more estate taxes - \$941k less to family!**

**“Self-Funder”**

\$1M asset

“Self-fund”



HNW Prospect A

**\$0k estate tax**

**\$0k to family**

**LTCi Benefits + Loans**

\$1M asset  
- \$432,420 premiums

Insure



HNW Prospect C

**-\$272,968 less estate taxes than HNW Prospect A**



**\$940,548 to family**

**Additional debt minimizes estate taxes & maximizes wealth transfer to family**

LTC coverage provides a dedicated stream of funds to help pay LTC bills

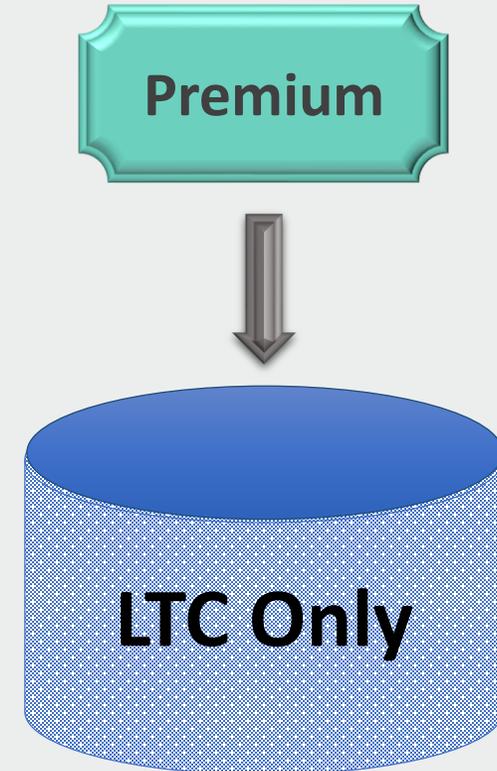
- Helps spare healthy spouse from loss of lifestyle/financially
- Helps preserve retirement income and financial legacy for heirs

## Long-term care funding solutions

- Among the numerous solutions available today
  - **Traditional** long-term care policy
  - **Linked benefit** long-term care policy
    - Linked to life insurance to protect premium
  - Life insurance with **long-term care rider**
    - Life coverage now, LTC later

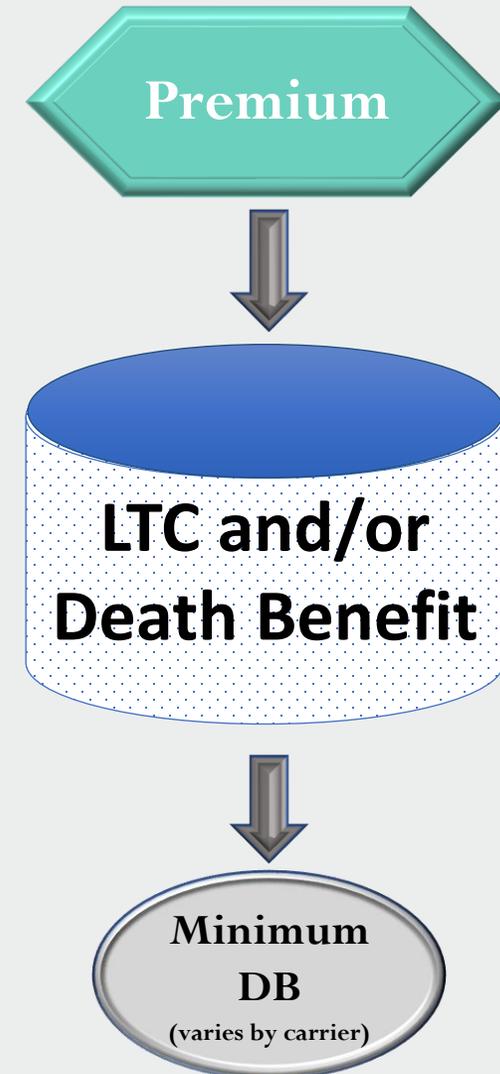
## Traditional long-term care insurance

- Covers long-term care only
- For people only wanting LTC coverage and/or on a budget
- May be the most economical solution
- State Partnership policies available
- Cost-of-living adjustment
  - 3% to 5% (simple and compound), CPI
- Generally, only reimbursement plans available
- Purchases most LTC, possible loss of premiums
- Premiums not guaranteed
  - Subject to rate increases
- Life pay premiums often the only option



## Life insurance with LTC riders

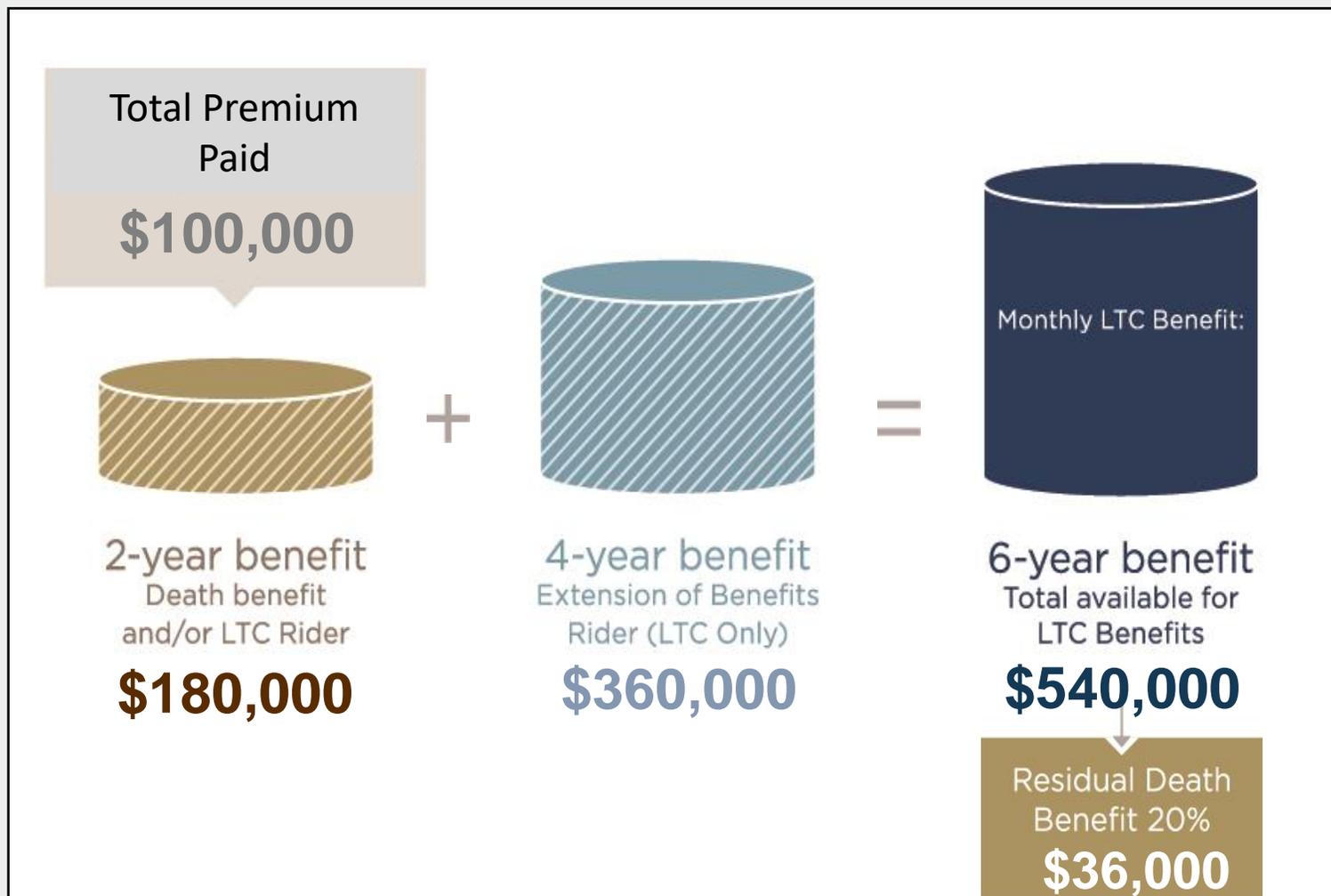
- Life insurance need (legacy/family protection) – and LTC concerns
- Provides leveraged benefit to someone, live or die
- Premiums, LTC/DB can be guaranteed\*
- Variety of premium schedules
- Variety of base insurance products
- Substantial death benefit leverage
- Guaranteed minimum death benefit
- Minimal customization (varies by carrier)
- Generally, the least LTC coverage – but most death benefit



LTC Riders also  
available on  
Survivorship Life

## Linked Benefit (Hybrid) LTC Insurance

- Return of premium feature (to owner)
- More features similar to traditional LTC policies
- Variety of premium schedules
- DB at least \$5,000 to 20% of specified DB amt. (varies by carrier)



# Summary

- There are a variety of LTC solutions on the market today
- The costs of LTC are the new estate tax for our mass affluent clients
- LTC insurance presents an additional estate tax mitigation opportunity and enhances wealth transfer for our high-net-worth clients



**Nationwide is here  
when you need us**

Contact your Nationwide Life Insurance  
wholesaler for more information.

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