



The long-term care (LTC) tax planning conversation your high-income clients need

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Why this conversation matters

1

Need for care + costs increasing

- 82% of adults are likely to need some LTC¹
- Some LTC costs increased by 10% in 2024¹

2

Medicare doesn't cover LTC

- Not designed to cover LTC
- Only covers some costs up to 100 days



The case against self-funding LTC





What if you could ...

1. Protect assets from LTC costs
2. Create a tax-free income stream for care
3. Minimize/eliminate the impact of income tax and IRMAA (Income-Related Monthly Adjustment Amount)



What is IRMAA and how does it work?



What is IRMAA?

A surcharge added to Medicare Part B and Part D premiums for individuals with higher incomes.



IRMAA determined by income two years before the current year



\$106K+ for individuals
\$212K+ for filing jointly



IRMAA is automatically deducted with Medicare premiums



How much does IRMAA cost?

	2023 individual tax return with MAGI of:	2023 joint tax return with MAGI of:	IRMAA for Part B monthly cost	IRMAA for Part D monthly cost	Total estimated monthly cost (IRMAA + premiums)
Part B standard monthly premium: \$185	\$106,001 – \$133,000	\$212,001– \$266,000	\$74	\$13.70	\$319.20
+	\$133,001 – \$167,000	\$266,001– \$334,000	\$185	\$35.30	\$451.80
Part D average monthly premium: \$46.50	\$167,001 – \$200,000	\$334,001– \$400,000	\$295.90	\$57	\$584.40
=	\$200,001 – \$499,999	\$400,001– \$749,999	\$406.90	\$78.60	\$717
Expected premium: \$231.50	\$500,000+	\$750,000+	\$443.90	\$85.80	\$761.20



Tax Advantage Case Study: Paying for Care



The potential self-funding tax trap



- Annual in-home care need: \$80,000
- Annual taxable income for basic needs: \$80,000
- Every dollar of care creates additional tax burden & market timing risk

Scenario	Annual distribution	Annual taxable income	Federal tax liability	IRMAA additional surcharge	Total tax and IRMAA	Savings
Taxable distribution	\$80,000	\$160,00	\$27,647	\$2,644	\$30,291	\$0

Client has \$30,291 additional costs related to taxes and IRMAA surcharges

This is a hypothetical example for illustrative purposes only.



Help clients turn a tax liability into a tax advantage



SecureCare™ III
LTC and
nonparticipating whole
life policy

7-pay, \$25K annual
premium
LTC Boost ROP option
5% simple inflation
protection option
6-year LTC benefit

Scenario	Annual distribution	Annual taxable income	Federal tax liability	IRMAA additional surcharge	Total tax and IRMAA	Savings
Taxable distribution	\$80,000	\$160,00	\$27,647	\$2,644	\$30,291	\$0
Tax-free LTC benefit	\$188,650	\$80,000	\$9,214	\$0	\$9,214	\$21,077

Potential tax savings: \$21,077 in taxes + no IRMAA surcharges



Bringing it all together

- Trying to control IRMAA and overall tax efficiency via the medical expense deduction can be challenging
 - The higher the income need is to self-pay, the higher the threshold to qualify for a medical expense deduction (7.5% above AGI)
 - Affluent clients often prefer in-home care, which is not always tax deductible as a qualified medical expense
- Using SecureCare can reduce taxable income and IRMAA surcharges
- Protect the client's long-term portfolio and future legacy



Any questions?





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Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, and Surrender Charge (which we refer to as expense charges). This policy may contain restrictions, such as surrender periods.

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The optional Long-Term Care Inflation Protection Agreement is available with 3% simple interest, 3% compound interest, 5% simple interest or 5% compound interest.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

SecureCare may not cover all of the costs associated with long-term care or terminal illness that the insured incurs. This product is generally not subject to health insurance requirements. This product is not a state-approved Partnership for Long Term Care Program product and is not a Medicare Supplement policy. Receipt of a long-term care or terminal illness benefit payment under this product may adversely affect eligibility for Medicaid or other government benefits or entitlements.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under these policies. Death proceeds will be reduced by outstanding loans and unpaid monthly deductions. Clients should consult a tax advisor regarding long-term care benefit payments, terminal illness benefit payments, or when taking a loan or withdrawal from a life insurance contract.

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