We all want to live a long life doing the things we love. We envision enjoying time with family and friends, traveling, or finally reading that classic book.

But along with all the joys of retirement, have your clients prepared for the potential long-term care they might need in the future? It is important for clients to have a long-term care discussion with their family and trusted advisors so their wishes can be implemented in a financially advantageous manner when the time comes.

Key questions for clients to discuss include the following:

- What are their long-term care preferences?
- What are the best- and worst-case scenarios for the varying stages of care?
- Where do they want to receive care? If their first choice is not available, where do they want to go next?
- Which family and friends of theirs planned well for long-term care? What were their plans?
- Does their current financial plan account for long-term care?
- Are their end-of-life documents current? Do family members know where they are?
- How will they pay for their long-term care?
- Will the plan impact their day-to-day lifestyle if funds are allocated for long-term care?

Please note that planning for long-term care does not necessarily require long-term care insurance. Funding can come from multiple sources. Some of our clients use traditional long-term care insurance, while some prefer using linked-benefits (life insurance or annuity with a long-term care rider) with retirement income. Still others use a combination of these.

However, many wealthy clients decide to include insurance in their overall risk management strategy, including using a trust to fund the policy. Insurance, therefore, allows ready funds to pay for care when needed.

Various reasons clients may not have addressed long-term care planning include the following:

- Wealth may be sufficient, or they think it is.
- They deny the need for it.
- They assume family members will provide the care.
- They believe health insurance will cover the care.
- They expect premiums to be too high.
- It has not been discussed with them.

Primary reasons for purchasing long-term care insurance include the following:

- Asset protection.
- Security and peace of mind.
- Covering the cost of care that might be needed.
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- A desire to not burden their family.
- Knowing someone that is currently using long-term care services.

OPTIONS TO PAY FOR LONG-TERM CARE
The solutions for long-term care are very personal and vary based on the health, finances and preferences of clients. Different types of long-term care insurance include the following:

Traditional long-term care insurance: This provides the greatest leverage and has some tax advantages. An age-based premium is eligible for qualified medical expenses with an MSA and HSA. Also, self-employed and greater than 2 percent of shareholders of partnerships and S-corporations are eligible for self-employed health insurance deduction IRC Sec 162(l), limited to the lesser of the paid premium or eligible long-term care insurance premium IRC Sec 213(d)(1)(D), 213(d)(10).

Many states have tax deductions or credits. Maryland has a tax credit of $390 for those 40 or younger and $500 for those 41 and older. Individuals able to itemize medical expenses may include eligible long-term care insurance premiums in that calculation. Premiums can be raised on all "like" policies in a state, with approval of the insurance administration in the state where the policy was issued.

- Medical underwriting: Medical underwriting is more stringent with traditional long-term care than the other options. Age, health, and family history are all considered.
- Inflation riders: A myriad of inflation riders are available. It is definitely worth the analysis to see which one is the best value based on future benefit levels when a long-term care need is anticipated.
- Shared plan: A shared plan between two partners has slightly higher premiums than two individual plans, but if one person needs more care, accessing the well partner’s policy benefits would be better than liquidating assets. After all, the well partner may never require care. Some contracts require a portion to remain in the policy for the well partner. When one spouse predeceases the other, the residual transfers to the surviving partner.
- Partnership qualified long-term care policies: Some traditional long-term care policies are partnership qualified between Maryland and private insurance companies. They may provide additional asset protection of the amount of long-term care benefits paid from spend-down requirements under Maryland’s Medicaid program if assistance under this program is ever needed and clients qualify. Inflation rider requirements vary based on state. In Maryland, a 3- to 5-percent compound inflation rider is required for those ages 60 and younger and an automatic inflation rider for ages 61-75. No inflation rider is required for those 76 and older. Premiums are the same as non-partnership policies. This is a safety-net for clients.
- C-corporations. These have a sweet spot in traditional long-term care insurance. The premium is treated as accident and health insurance via IRC Sec 7702B(a)(3), deductible by employer (subject to reasonable compensation), IRC Sec 162(a). Also, total long-term care insurance premium paid is excluded from the employee’s income via IRC Sec 106(a).
- Ten pay: A ten-pay traditional long-term care insurance policy is advantageous because the client would have a paid-up policy after only 10 years. Therefore, it is not subject to any further rate increases or premiums in their golden years. Only one carrier currently offers ten-pay.

Linked-benefit products: Linked-benefit products, such as life insurance with a long-term care rider or annuity with a long-term care rider, protect assets from an extended health care event while remaining flexible. Return of premium is an option and the unused portion is returned to the estate. Premiums are guaranteed and can be paid on an ongoing basis or limited-pay based on product offerings.

A 1035 exchange is a tax-effective way to fund these products. With some joint plans, one spouse’s CSV or annuity can fund long-term care for both spouses. We have also used the 1035 exchange from an IRA of one spouse to fund both.

Life insurance with an accelerated death benefit: Life insurance with an accelerated death benefit generally has a chronic illness definition that requires the need for long-term care to be permanent. This has a larger death benefit than the linked-benefit products, but less long-term care coverage than traditional and linked-benefit long term care.

Home health care only policy: A home health care only policy has the least amount of medical underwriting, low premiums and lower benefits. It can provide value to clients who are uninsurable for the other solutions, or are older and have not planned for their future care yet.

There are some benefits in this policy that can be accessed regardless of a long-term care need, such as prescription and annual physical indemnity benefits.

There are many long-term care solutions available for your clients. What they choose is dependent on their personal health, finances and preferences. The amount of coverage will be based on cost of care in the area they expect to be when they need care, offset by the amount of risk they are willing to accept.

The amount they pay for long-term care could impact their lifestyle and legacy objectives, so it is important to start the discussion today and explore all of the options available to them.

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