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CLTC DIGEST

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BRIDGING TWO GENERATIONS WITH ONE CONVERSATION

Talking About LTC Protection

By Matthew DiGangi, CLTC®

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WINTER 2022

INSIDER'S NOTE

Happy New Year!

It is exciting to be kicking off 2022. We have a lot in the works at CLTC, including a new training program, peer-to-peer study groups for grads, industry research, a new video, interesting and practical webinar topics and much, much more. It is all in an effort to raise the awareness and visibility of the value of the CLTC designation and all that you bring to clients.

This issue of the *Digest* delivers four new articles from industry experts, all designed to help you advance your extended care knowledge and your practice. Two articles serve up very practical insights—a deep dive into tax deductibility, and lessons learned from the WA Cares Fund Act. While the other two offer insights on the changing nature of what it means to age and the implications for you as you seek to help your clients plan for the future.

Grab a cup of coffee and dive in—you are bound to find much of interest and use. As always, thank you for your commitment to this industry and for being a CLTC.

Celeste

Celeste Cobb
Director of Education

Certification for Long-Term Care

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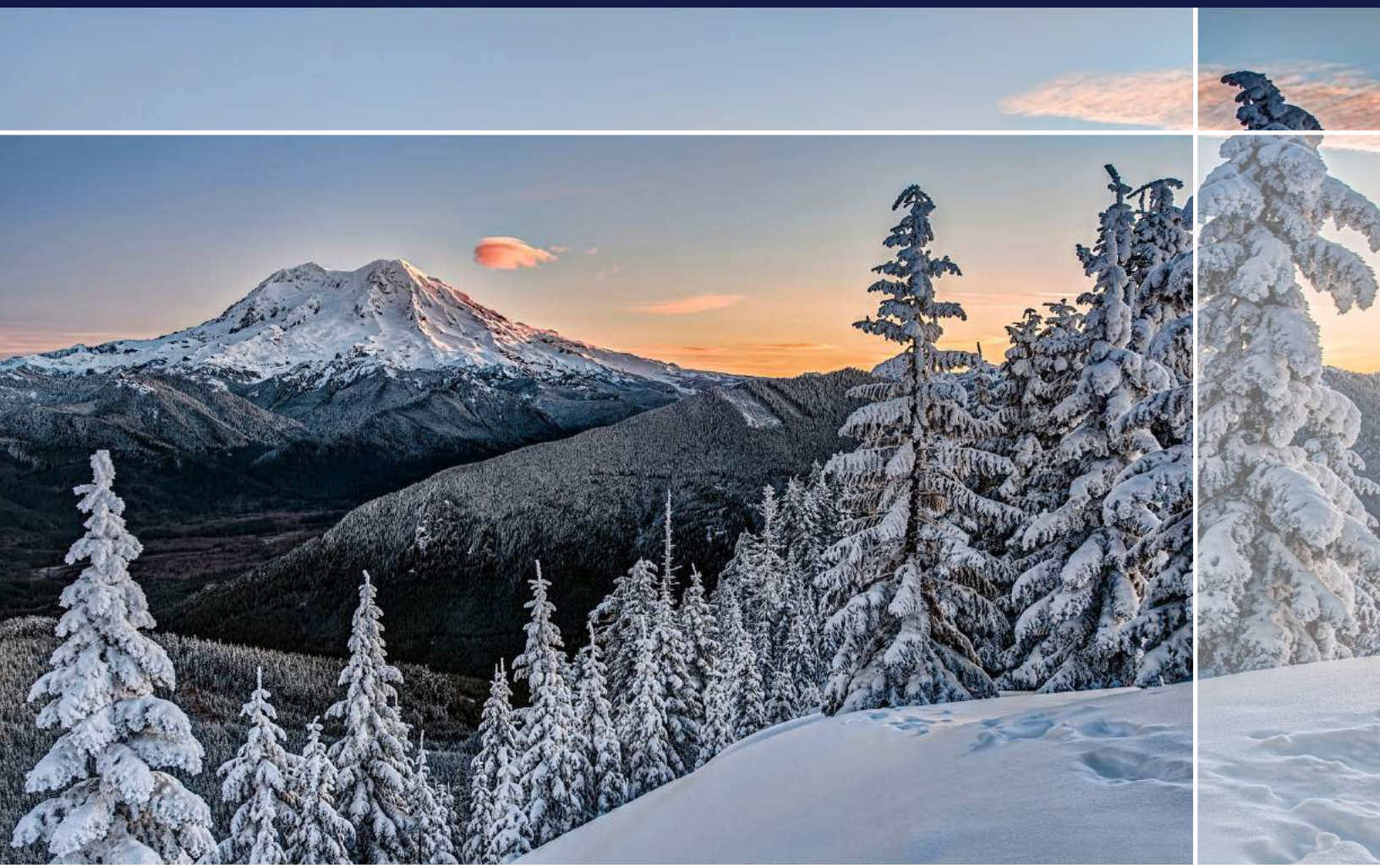


I Survived the Washington Fire Sale

By Marc Glickman, FSA, CLTC®

What follows is my first-hand account of the 2021 Washington Cares Fund initial rollout and my reflections on the impact of the law. At BuddyIns, we built our community to help insurance agencies, referral partners, and long term care insurance specialists educate Americans about LTC planning and best-value insurance solutions. As our community has embraced new technologies, this naturally put us in a position to help during the turbulent Washington market during the summer of 2021.

We made the decision early in the process to maintain our overall mission despite the fast-paced environment in Washington. We focused on education and the value of the insurance coverage itself, even if clients were also pursuing an opt out to the state's payroll tax.

This article was originally written as of late September 2021 as our teams continued to work closely with clients to navigate the state rules and carrier changes that are still in development. Even as of early December 2021, there is still legislative talk of delaying implementation.

I hope this story can benefit consumers and insurance specialists across the country who may face similar decisions from actions that their states may take to address long term care expenses.

MARCH 2019

A NEW LTC PAYROLL TAX PASSES IN WASHINGTON

The Washington Trust Act first passed in 2019. This law seemed different than the Federal Class Act program a decade earlier that was a part of the Affordable Care Act. The Class Act did not succeed once it was deemed not to be actuarially sustainable. The Trust Act was different in the fact that it required mandatory participation for every W-2 employee and that it would be funded through a payroll tax. It won't be until 2022 that the payroll tax is planned to be implemented while allowing an opt out exemption through the purchase of private LTC insurance.

In 2019, the insurance companies took a wait and see approach as the state had not engaged much with the private insurance community as the law was being developed.

FEBRUARY/MARCH 2021

AWARENESS OF THE LAW EXPANDS

Something changed in early 2021. The Washington legislature worked feverishly to amend the law that was about to be implemented. The biggest issues in the legislative negotiations seemed to revolve around the private insurance opt out and deadlines. What types of insurance products qualified for the payroll tax exemption? When must an employee purchase a policy to opt out? Growing concern in the December 2020 actuarial report suggested that if too many taxpayers opted out, the trust would be underfunded to pay future benefits. The amended law vacillated between different deadlines for the private insurance opt out until a final negotiated date was set; it required purchase prior to November 1, 2021.

Suddenly, there was much less time to plan for private insurance as an alternative to the payroll tax. This got the attention of many employers. The insurance companies and agents began to notice a rapid increase in demand.

At BuddyIns, we co-hosted an educational webinar for the Washington clients of a large employer benefits firm. To our amazement, over 700 registered, including the CEOs, CFOs, and HR directors of many employers in the Pacific Northwest.

APRIL 2021

EMPLOYERS AND CARRIERS REACT

In a matter of weeks, we received requests from over 200 Washington employers to begin immediate LTCi enrollments. We realized we were going to need a bigger boat.

We surveyed nearly 30 LTC insurance companies that spanned the spectrum of standalone, hybrid, and worksite products to gauge their interest in offering products in Washington. The worksite and standalone carriers experienced the heaviest inquiries. There was an even greater rush since the largest standalone worksite company had already announced their exit from the entire LTCi market. The other worksite and standalone LTCi carriers began to ration the availability of their products in Washington. Adding more uncertainty, it was not entirely clear whether the Life / LTC hybrid worksite products would qualify for the exemption because the Washington state definition of LTC insurance was fairly broad.

> Reactions of the carriers with individual standalone and hybrid LTCi products ran the gamut from extreme caution about offering their products, to aggressive product promotion, even in the face of uncertainty.

At BuddyIns, we prepared for both worksite and customized individual solutions. We launched a new website to handle the volume, developed a system to manage enrollment emails, and automated reporting to track employer and employee relationships. We prepared ongoing live educational webinars throughout the summer to educate thousands of employees. We also quickly began building a large team of experienced account managers and LTCi specialists for one-on-one LTC planning consultations.

MAY 2021
WARNING SIGNS AHEAD

In late April, the amended law passed as expected, but notably without a formal definition of the products that qualified for exemption aside from the general Washington definition. One Friday in mid-May, an update appeared on the state's website to include new language defining qualifying LTC insurance in a stricter fashion. This could potentially disqualify many products including options for employer enrollments beginning the following week.

Just as concerning, we started to notice a consistent theme in our conversations with employers and employees. The questions included: "How long do our employees need to keep the policies? When can we terminate the payroll deduction? The state is not going to check next year that everyone still has the policy, are they?"

Unfortunately, there did not seem to be a mechanism in the law for recertifying coverage. Nor was it clear that the state had been provided resources for ongoing review of the payroll tax exemptions after the initial opt out period.

At this point, BuddyIns faced a crossroads. Our mission is to do what is best for our clients and to fairly recommend the coverage as it is intended to be offered by the insurance companies. Despite the pressure to move forward with the planned worksite enrollments, we decided it would not be in the clients' or carriers' best interest for the majority of the enrollments.

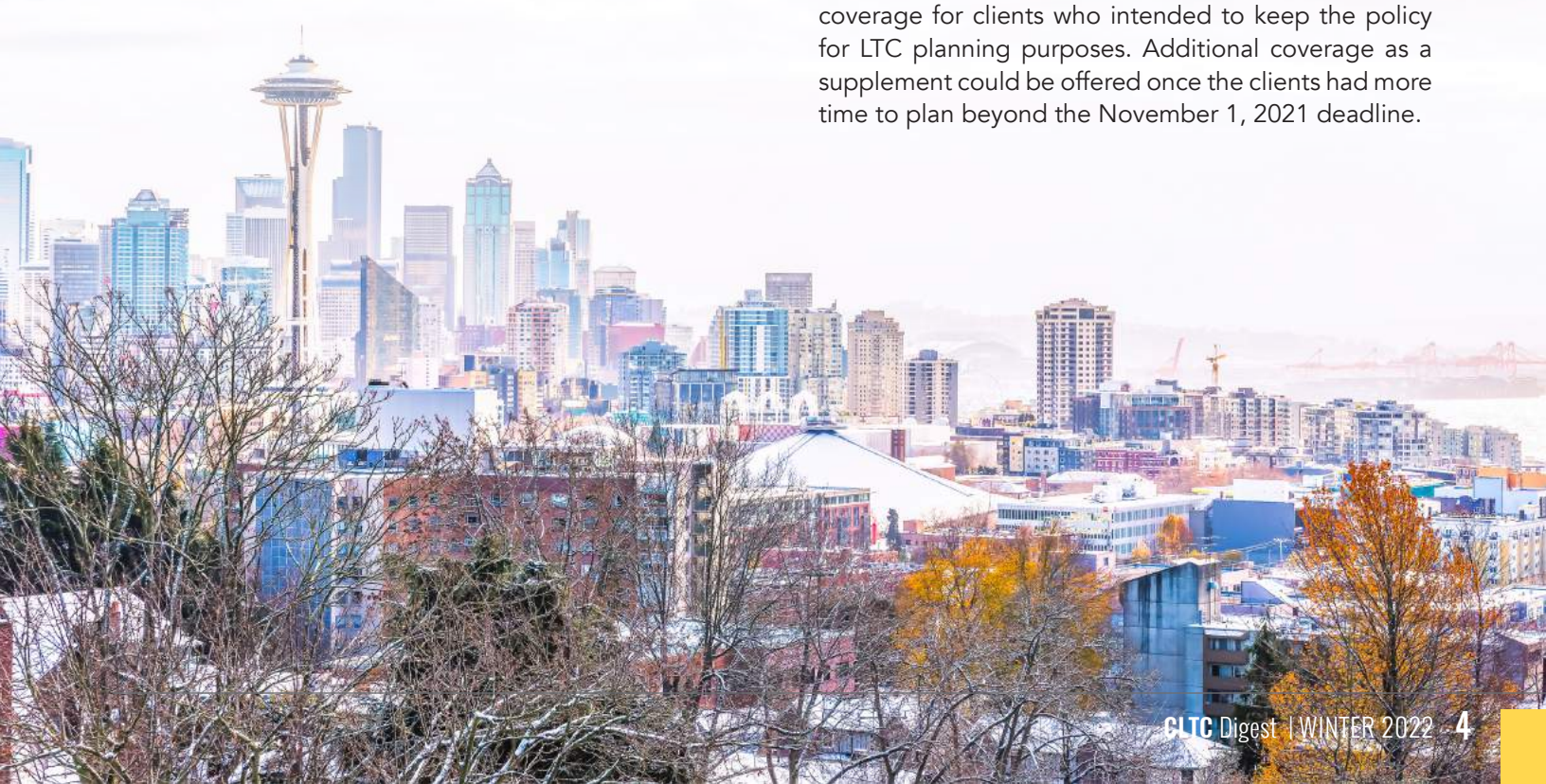
We still had the capacity and expertise to provide individual solutions offered one-on-one by LTCi specialists. If the vast majority of our enrollments would be individual consultations, we were going to need an even larger specialist team.

JUNE 2021
GROWING TO MEET DEMAND

Our platform gave us the flexibility to quickly bring in highly qualified and vetted LTCi specialists. However, we never expected to have to do it this quickly and at this scale.

We began onboarding an additional 5-10 LTCi specialists each week over the next 2 months. Soon, we had grown the team to nearly 70 specialists. Our new specialist team had to quickly learn the rules in Washington, our technology platform, how to have quicker planning meetings, and how to navigate all of the insurance company changes.

LTC planning is a consultative process that typically takes months. This was the most difficult transition the team had to embrace. How do we abbreviate the process to meet the state deadlines? We developed an approach to offer at least minimum, meaningful coverage for clients who intended to keep the policy for LTC planning purposes. Additional coverage as a supplement could be offered once the clients had more time to plan beyond the November 1, 2021 deadline.



JULY 2021

CARRIER CHANGES AHEAD

Once we substituted most of the worksite enrollments for individual custom consultations, we were off and running. As you might expect, the most challenging conversation was with a typically younger employee just looking to opt out and with no particular interest to learn about the coverage or LTC planning. While we firmly believed it was in everyone's best interest to offer the products the way they were designed, there was still significant pushback from employers, employees, and consultants. Their frustration was not directed towards us, but rather at Washington for having mandated such a short time period to make this important planning decision.

Of course, many LTCi agencies and agents in the market were taking different approaches. Some agents were getting licensed for LTCi in Washington for the very first time and many were succumbing to the temptation to figure out how to sell the lowest priced product possible to "beat the tax."

As a result, one of the largest standalone carriers in the market announced they were exiting in Washington in late June. This put pressure and greater demand on the other carriers. Soon carriers began imposing minimum coverage requirements. Behind the scenes, carriers began to contemplate their exit from Washington as it was clear they could not satisfy the demand in such a short time frame.

AUGUST 2021

SUPPLY LEAVES THE MARKET

Early August represented a collapse in the supply of individual LTCi and hybrid products in Washington. As the carriers announced major product changes weekly, it only served to stimulate more demand. The carriers had no choice but to shut down as they simply could not keep up with the demand. One of the largest carriers in the market shared with us that at the peak, they were receiving about 1,000 individual applications an hour, which might normally be the number of applications they received in a month, across the entire country. They simply did not have the systems or employees to satisfy the demand.

Our BuddyIns team did its best to pivot to the remaining solutions, but so did the rest of the market. We were fortunate to have access to a broad portfolio of product and specialists with expertise in a variety of options. Nonetheless, by the end of August, the only products that remained had limited distribution and therefore more supply constraints. BuddyIns continued to offer clients excellent options for those interested in meaningful LTC benefits, but for younger clients looking for individual solutions, there simply were not many options available.

The worksite options continued to be offered in the market despite the challenges of not knowing for sure whether the products would qualify for opt out and if clients would keep the coverage.

Time was running out anyway for clients to submit their applications.

SEPTEMBER 2021

REFLECTIONS ON THE WASHINGTON FIRE SALE

I'm proud of what our team accomplished in a short period of time and in a challenging environment. While we couldn't offer an insurance solution to everyone who sought our help, we helped many individuals learn about long term care planning and developed many relationships. These relationships will continue to be important as we help clients and referral partners navigate the LTC insurance market for years to come.

Washington became the first state in the country to move toward a path of providing a minimum level of LTC coverage funded by their workers. This is the litmus test in a social experiment whose implications we do not yet fully understand.

There are elements of the Washington program that were well designed, like requiring the program to be actuarially sound, which meant mandatory participation. The state was tasked with creating an LTC planning education and awareness campaign that has the potential to help families in a variety of ways.

The state also emphasized providing more home health care benefits, which will take some of the burden off of the WA Medicaid program, which had begun to absorb much of these costs.

However, there may have been missteps that can serve as a learning experience for other states. For instance, Washington may have been better served by engaging with the private insurance companies early on to coordinate benefits, ensure supply, and give people a realistic way to purchase their own private plan. The state and private markets ended up competing with one another with mixed messages that created an environment of distrust and uncertainty with the consumer. Consumers that were the right candidates for private LTC insurance did not have enough time to plan and lost many private insurance options while deciding what to do. Others still don't know there is a payroll tax. Ironically, both the public and private markets need each other to solve the LTC financing issue.

With the wave of baby boomers entering extended care years, and with the effects of COVID placing additional strain on long term care costs, we are beginning to hear about a wave of new states exploring a payroll tax to fund a minimum amount of long term care. They can use the Washington experience as a guide to create better outcomes and coordination. Washington state is continuing to explore positive changes. Now that the ability to purchase private insurance for opt out may be over, Washington is embracing the private market to supplement the $36,500 (plus nominal increases) their program provides.

At BuddyIns, we will continue to monitor the activities in Washington and other states considering similar legislation. We intend to continue to be a trusted resource for long term care planning.

MARC GLICKMAN
FSA, CLTC®

Marc is CEO and Founder of BuddyIns.com; a community of long-term care planning experts. His mission is to help families across the country get an LTC plan and to support the 44 million caregivers in the US. Marc is an actuary by profession and a licensed insurance agent. He is a graduate of Yale University with a degree in economics.

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What I Learned from Recent Publications on Extended Care

By Stephanie L. Stearns, CLTC®, FLMI

WHAT WE KNOW

CLTC professionals know that caregiving, even in the best of circumstances, poses significant emotional, lifestyle and financial challenges. The impact of the COVID-19 pandemic, which has disrupted and altered our lives in so many ways, has hit the nation's informal caregivers especially hard. Consider this recent survey data.[1]

- One in five (21%) Americans said they are currently providing care for someone, and nearly six in ten (59%) reported they have had to take on new or expanded caregiving responsibilities during the pandemic.
- More than a quarter (27%) of caregivers said they did not receive any additional help.

Formal caregivers have also undertaken heroic work to protect an extremely fragile population. In May 2020, President and Chief Executive Officer of the American Health Care Association and National Center for Assisted Living, and former governor of Kansas, Mark Parkinson warned "to prevent overwhelming our hospitals, our public health care system we must be more proactive and target our energies and resources on long term care[2]."

Because of COVID, caregiving and long-term care have been thrust onto the radar for Americans, prompting many to pay more attention. A recent study[3] shows that a third (34%) of adults have planned for their own long-term care needs. Among them, more than half (53%) say the pandemic has changed their views on long-term care. As a result, they have taken specific steps toward preparing for their needs, including:

- Increasing their savings – 46%
- Incorporating long-term care into their financial plan – 39%
- Talking to their financial advisor – 37%
- Purchasing long-term care insurance – 36%

However, this topic remains difficult for many families to address, especially when almost everyone is in denial about their potential need for long-term care. On the other hand, an increasing number of books and literature have turned their lens to the challenges presented by needing long-term care.

The following quote from nationally recognized geriatrician and public health advocate, Elizabeth Eckstrom, MD, MPH, MACP reminds me of why the CLTC designation was created in 1999 and how it helps professionals succeed in the field of extended care planning.

> *Geriatricians have observed the best outcomes occur in families where plans are discussed while everyone is still healthy. Parents then can lead the way. Children can listen and understand their desires. Communication has been formed in a time of no fear. Difficult questions can be asked and thrashed out early on, such as: What will happen if one of you can't drive or needs daily care? Is there enough money saved for caregivers? Are finances in order? If something happens to one of you, will the other know enough to be able to take over managing things? What are your wishes if one of you must be moved to a care facility? These are hard questions. But if thoughtfully deliberated before problems arise, a solid foundation can be built, which goes a long way in easing transitions.*

As these difficult questions demonstrate, extended care planning goes well beyond asset accumulation, income distribution, and estate planning. There is a wealth of training resources and tools to help CLTC professionals like you facilitate these difficult conversations, and help families plan for future extended care. A new one worth noting is the virtual CLTC coaching sessions offering grads an opportunity to reinforce their training by sharing lessons and learnings in the field. This can be helpful as the scope of retirement plans spans decades and may include many transitions including leaving work to care for an aging parent, a second career, and the possibility of a client needing care themselves. This has given rise to the emerging financial planning subspeciality to help address multiple stages of old age. "To Pay for Longer, Later Retirements, Consult a 'Financial Gerontologist'" (The New York Times, 12/21/2021) describes this evolution and how the financial services sector is trying to connect with the reality of older clients' lives. The piece resonated with one of our all-time leading career wealth management advisors who shared "at age 69, most of my efforts these days, by virtue of my 45-year career, seems to have evolved along the lines of the role described in this article. And I know I'm not alone…"

AGING: THE NEXT FRONTIER

CLTC's are on the front line of the next frontier of aging—financially, physically, emotionally, morally, cognitively, and spiritually. How people face the mysteries and challenges of aging is an increasingly popular subject. Many books and articles offer valuable insights to strengthen our conviction that those who enjoy a satisfying and meaningful retirement are also the ones who applied their thinking and planning talents to the challenge.

The Inner Work of Age: Shifting from Role to Soul, by retired psychotherapist Connie Zweig, Ph.D., speaks to the reimagining of aging for all generations. It

specifically addresses the opportunity for society and families to support aging transitions that involve not just changes in roles but profound internal changes in identity, meaning, and purpose. It was noted by The Wall Street Journal as "One of the Best Books About Retirement and Aging of 2019" and awarded the 2021 Best Indie Book Award in Non-Fiction: Aging and Gerontology. One of my discoveries was about the "inner ageist"—the part that denies age and insists on identifying with youth and how it consciously and unconsciously—shapes how we age.

A study of more than a thousand older adults over a twenty-three-year period, by psychologist Becca Levy (Yale), showed how age stereotypes and prejudice can be internalized in the brain, mind, and body, leading to self-images, such as the "inner ageist." Levy went on to test this idea in the transition to retirement and found that those who viewed aging as a positive experience lived seven and-a-half years longer than those with more pessimistic attitudes.[4]

By learning to advance the positives of aging, we are more likely to accept the help we need from loved ones. Applying this to caregiving, and specifically how to provide better care in the home for a longer period, Zweig shares the experience of her client, Paula, who cared for her spouse (Jim).

> *Jim mostly needed her loving presence, not her heroic doing. He didn't need advice or solutions. He didn't need to be cheered up. And she mostly needed to give love. So, their deeper needs, beneath the roles, actually fit. Paula decided to hire a professional for two days a week to fill the role of caregiver. In this way, she could set limits on her own doing, focus on her own creative projects, and begin to orient from role to soul in her marriage. Someone in different circumstances might join a caregiver support group, find a friend or relative who can provide relief care, or seek help from a local social services agency. This self-care allowed Paula's higher emotions to emerge in her caregiving: compassion, empathy, generosity, patience, and nonjudgmental awareness.*

Paula saw that caregiving can involve "doing and being," creating space for "conscious caregiving" where the caregiver and receiver of care can cross "the threshold from an outer orientation of role—the helper and the patient—to an inner orientation of two souls on a healing journey."

A BREWING CRISIS

Another valuable read and winner of the 2016 National Christopher Award "For Books that Affirm the Highest Values of the Human Spirit" is The Gift of Caring: Saving Our Parents from the Perils of Modern Healthcare, by Marcy Cottrell Houle, MS.[5] Throughout the book geriatrician and co-author, Elizabeth Eckstrom, MD, MPH, MACP, offers expert tips about caregiving and the goals we all have for loved ones needing care. Along the way she also clarifies the goal of geriatric medicine, which is "to help patients remain functionally independent for as long as possible." Until reading this book, I failed to appreciate that geriatricians want to keep their patients active and managing their activities of daily living (ADLs). They avoid nursing homes and hospitals because they are fully aware of the physical, emotional, and financial costs associated with long-term care facilities. This quote really hit me:

"…while realizing that not all conditions in older adults can be "cured," geriatricians look for holistic ways to improve their patients' lives." Ninety-seven percent of medical students in the United States do not take a single course in geriatric medicine."

Consider these facts:[6]

- Over 50 percent of patients who move permanently into nursing homes use up their entire life savings and eventually go on Medicaid.
- Since 1998, the number of board-certified geriatricians in the United States has dropped by over 25% to only 6,700. While people over eighty-five are the fastest-growing age group, in 2012 less than one hundred doctors nationwide entered geriatric fellowships.
- Current projections indicate there will be only one geriatrician to treat every four thousand patients by 2030.
- Geriatricians are among the lowest paid of any field of medicine, even though it requires years of specialty training.

BECAUSE MAKING A PLACEMENT BREAKS YOUR HEART: THE STRUGGLE TO KEEP SOMEONE AT HOME

The Gift of Caring also includes a riveting first-hand account of a daughter's 14-year journey to provide dignified care for each of her parents. Overcoming the phases of denial, diagnosis, acceptance, and recognizing the need for help was all a part of her process. I was struck by the resilience and love that permeated the nine years of home care the author provided to her father, who was suffering from Alzheimer's. When living at home was no longer an option, the transition was gut wrenching.

Geriatrician and co-author Elizabeth Eckstrom, MD, MPH, MACP, explains how to find a good memory care facility (with or without the help of a "transition coordinator") and why they often help people with dementia thrive.

"A good memory facility is set up to keep people with dementia active and healthy, engaged in meaningful activities they like to do, and to utilize their brain to keep their memory as strong as possible…[and] will have activities planned throughout the day that are fun, that encourage socialization, and that challenge each resident to remain at his or her optimal level of function." Because dementia patients need exercise every day to prevent falls, improve sleep, and decrease depression, a high-quality unit stresses the importance of interesting, fun fitness programs that will help one avoid many of the medical problems that can go along with dementia.

HELPING CLIENTS PLAN TO LIVE A LONG LIFE ASK: "TELL ME WHAT'S IMPORTANT TO YOU."

The final book I would suggest, especially to help motivate the unmotivated, is Retiring? Your Next Chapter is About Much More Than Money because it has a strong message around unhappy retirement

stories resulting from "the fruits of denial." Authors, retired U.S. Senator Ted Kaufman and former management consultant Bruce Hiland (CEO whisperer), make the case that equal attention must be given to nonfinancial issues. What they found from the retirees they studied, was those who had only prepared financially and had put off—or ignored—how they would live their retirement "became stuck." In contrast, those that approached retirement as a new adventure and prepared for retirement as a journey, thrived. They propose asking questions like, "When to retire?", "What will I do?", and "Where will I/we live?" Interestingly, these questions are in fact explored as part of the extended fact-finder in the CLTC Client Interview Roadmap. Unfortunately, Kaufman and Hiland's book takes a very narrow view of the role of the financial advisor and discounts the holistic approach advocated by CLTC and the industry. However, the authors—themselves retirees—illuminate the fight-or-flight response that frequently comes with contemplating the changes retirement can bring.

ON THE FRONT LINES OF AGING

Aging is hard and complicated. Because science has added years to over average life expectancy, we need greater institutional innovation and more wide-ranging policy support. We can all live longer and healthier lives if our attitudes about aging are more in line with reality. CLTC's are on the front line of this next frontier and can apply their thinking and planning talents to help clients adapt to inevitable change, thereby allowing them to enjoy a truly satisfying and meaningful retirement.

STEPHANIE L. STEARNS
CLTC®, FLMI

Stephanie is an Assistant Director on the Risk Products team at Northwestern Mutual (NM). She and her team focus on product development and positioning for the LTC, DI, and Group (Life & DI) lines of business. Stephanie has been Certified in Long-Term Care (CLTC) since 2005 and since then has been a close partner and advocate for the mission of the CLTC organization, including serving as an inaugural Advisory Board member.

1 The 2021 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual and included 2,320 American adults aged 18 or older who participated in an online survey between March 16–26, 2021.

2 "Long-Term Care Providers Are on the Front Lines and Must Be Prioritized," May 13, 2020 Morning Consult

3 The 2021 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual and included 2,320 American adults aged 18 or older who participated in an online survey between March 16–26, 2021.

4 Awais Aftab, et al., "Meaning in Life and Ots Relationship with Physical, Mental, and Cognitive functioning: A Study of 1,042 Community Dwelling Adults Across the Lifespan, "The Journal of Clinical Psychiatry 91, no. 1 (2020), https: //doi.org/10.4088/JCP.19m13064

5 The Gift of Caring: Saving Our Parents from the Perils of Modern Healthcare by Marcy Cottrell Houle M.S., Elizabeth Eckstrom M.D. M.P.H., Jennie Chin Hansen (2015)

6 Ibid

Bridging Two Generations with One Conversation

Talking about long-term care protection.

By Matthew DiGangi, CLTC®

Multi-generational conversations have generally been reserved for high-net-worth clients and their estate planners. Sometimes these families include first-generation wealth creators who include their adult children in business succession discussions. These conversations involve more than money talk among family members. They provide an opportunity for parents to articulate their values and expectations as well as how they intend to distribute wealth and/or management responsibilities among their heirs.

CHANGING EXPECTATIONS. CHANGING BEHAVIORS.

I believe long-term care planning provides a similar opportunity for financial professionals. It's likely your relationship with your clients started when you helped them develop their retirement plan. It's also likely you can attest to what Joseph Coughlin, Founder and Director of MIT AgeLab, has found in his research.

> *Expectations of older adults have changed. The story of old age is made up. We need to change the story to one that shows that aging looks and feels different today than it did years ago.*

Coughlin attributes the change to longevity. Life expectancy is now 30-40 years longer than in the early 1900s. It's one thing to live longer; it's quite another to meet clients' expectations to "live better."

It's very likely you'll find many clients define living better as being able to remain in their own homes for as long as possible. Demographers refer to this as "aging in place." One of the factors making it possible to age in place is technology. Let's return to Joseph Coughlin for a moment. He describes this type of technology as enabling. Most of us have had lots of experience with enabling technology, particularly since March 2020.

Think about how you worked with your clients during the pandemic. You and they learned how to meet effectively via Zoom or FaceTime. How many of you ever thought you'd be having conversations with your clients about matters of such importance on your laptop? All of us learned to adapt to daily life during the past two years using technology. My guess is that most of these adapted behaviors will remain with us.

- Ordering food from our favorite restaurants and having it delivered to our door
- Having our groceries, household products, pet food, etc. delivered
- Staying connected to family and friends via Zoom or FaceTime
- Playing games online
- Accessing entertainment on demand
- Scheduling and conducting doctor appointments virtually

While the technology enabling us to do these things has been around for a long time, many of us, (myself included), didn't take full advantage of it until we were, in a sense, forced to. According to a September 2021 Pew Research Center Study entitled *The Internet and the Pandemic*, "90% of Americans said the internet has been essential or important to them. Forty percent said they used technology in new ways."

How many of you were surprised at how easily your parents adapted to technology? What's the likelihood of your continued use?

MORE THAN INSURANCE. A PLAN.

Let's return to the idea of aging in place. Being able to live one's post-retirement years at home requires serious planning. Sure, there are many ways technology can help, but it can't get the entire job done. Homes often require major renovations to accommodate mobility and safety issues should they arise. Health care expenses often become a drain on resources. How do you introduce the subject of long-term care planning? I suggest you ask your clients to share the following:

- How and where do you wish to live out your life beyond retirement?
- Do you feel confident you've saved and invested enough to live a fulfilling life for the next 30 to 40 years?
- Have you considered the various stages of aging and your changing needs?
- Have you factored in the possibility of a long-term care event? Have you thought about where and how you wish to receive treatment?
- Do you believe your retirement savings could absorb the cost of a long-term care event without impacting the goals underpinning your retirement plan?

Helping your clients develop a long-term care protection plan is a logical next step and can help them protect their retirement savings. Most of us realize not all long-term care insurance solutions are created equal. It's important to consider the products that address consumers' wants and needs, including addressing objections like, "What if I don't end up needing it?" Currently, one sought-after long-term care planning solution is a hybrid product that combines whole life and long-term care insurance protection. This type of policy provides long term care benefits as well as a death benefit. And some policies may even be eligible to earn a dividend (dividends are not guaranteed).

TWO GENERATIONS. ONE CONVERSATION.

Long-term care planning provides an opportune time for you to engage adult children and their parents in a conversation. You'll have a chance to review the plan and explain the benefits of long-term care insurance protection. It's also an opportune time for your client to share with their family the details regarding how a long-term care event should be handled should one occur. Unfortunately, some of my friends and family members have had to deal with a parent's chronic illness or disabling condition without the benefit of a plan. There was never a conversation about the parents' wishes. There's no instruction manual on how to navigate the confusing world of long-term care options. Family members are left trying to figure out how best to access required care, the cost of those options, and who and how care is going to be paid for at a time when the family is under stress.

Conversations like the one I've described provide valuable insight into what clients and their children value—what it is that each has worked and saved for, their desired legacy, and their hopes and dreams for future generations. The earlier conversations like these occur, the more likely your clients' post-retirement lives will meet their expectations. In addition, I believe the conversation between your client and their children may well lead to future opportunities for financial professionals like you.

> *Long-term care planning is integral to overall retirement planning and can go a long way toward protecting retirement income. Both your clients and their adult children will come to appreciate the intrinsic value of planning and have you to thank for it.*

I suggest you share a helpful guide with family members. It's entitled, What My Loved Ones Need

to Know." It's designed to prompt users to document the practical, day-to-day information we carry around in our heads. Think about it. Does anyone beside you know the password that unlocks your computer and the information that likely resides in a virtual vault? Names and contact information for doctors? Prescription medications and dosages? Online accounts? Contact information for your attorney, accountant, financial advisor? Beyond personal, legal, and financial information, the individual is prompted to think through and articulate final wishes. I've provided a link to the guide. Feel free to keep one for yourself and pass it along to your clients. You may want to fill yours out first.

In closing, I want to make several points about the importance of multi-generational conversations: You are probably aware of the stats regarding the failure to bring adult children into planning conversations and the greater likelihood of losing clients. Naturally, the loss of these clients likely means the loss of opportunity to include their children as clients. Have you considered the increased value of a book of business that includes multiple generations of family members? I believe interest in long-term care protection transcends generations. Now, more than ever, financial professionals have a fantastic opportunity to build strong familial relationships that grow in value, both personally as well as professionally.

It's a new year and by now all of us have identified our goals for 2022. I hope one of yours is to engage in deeper, even more meaningful conversations with your clients and their adult family members.

MATTHEW DiGANGI
CLTC®

Matt is Head of Annuity and Hybrid Life-LTC Distribution for MassMutual Strategic Distributors. In his role, Matt leads the way toward more advisor-client conversations about the need for long-term care planning. Matt and his team extend MassMutual's guiding principle to MMSD's financial partners: to help people secure their future and protect the ones they love. He graduated from Sacred Heart University with a degree in finance and earned his MBA from Quinnipiac University. Matt maintains his CLTC designation, Series 6, and 26 licenses.

Tax Deductibility of LTC Riders and Linked Benefit Policies

By Shawn Britt, CLU®, CLTC®

Questions often arise about the federal tax deductibility of long-term care (LTC) riders and linked benefit LTC policy costs. Much of the confusion centers around the fact that stand-alone (traditional) LTC policies enjoy a number of tax advantages. Individual taxpayers have the opportunity to choose either a federal tax deduction under IRC §213 as a medical expense, or receive reimbursement from a Health Savings Account (HSA)—both opportunities being subject to IRS limits. There are also attractive tax advantages for business owners when purchasing traditional LTC policies through their businesses. However, the tax advantages afforded to traditional LTC policies do not necessarily carry over to combo or hybrid (linked benefit) LTC policies. Qualification for tax deductions and HSA eligibility depends largely on how the policy is structured.

LTC RIDERS ON LIFE INSURANCE AND ANNUITIES

As of January 1, 2010, the Pension Protection Act 2006 declared that an IRC §213 tax deduction for medical expenses is *not* allowed for the cost of a LTC rider, if the charge for the LTC rider is deducted from the cash value of a life insurance policy or annuity contract. This will apply to certain "combination" LTC products, depending on the product and their structure.

LTC Riders on Life Insurance

Most life insurance policies with LTC riders take the LTC charges from cash value; therefore, these products generally will not qualify for any type of tax deduction or HSA eligibility.

- **Possible Exception: Whole Life Policies with LTC Rider.** Because these policies typically are structured differently in regard to how premiums are received and used to pay policy and rider charges, some LTC riders on whole life policies may qualify for a tax deduction or HSA eligibility. Contact the carrier for clarification.

LTC Riders on Annuities

Nearly all annuities take the charge for the LTC rider from the contract value, thus will *not* qualify for a tax deduction or HSA eligibility.

Linked Benefit LTC Policies

Whether there is eligibility for a tax deduction or HSA reimbursement for the LTC costs varies between carrier versions of this product. Please check with the specific carrier for clarification on deductibility.

- Some products are designed with separate identifiable LTC premiums with no ties to cash value; these LTC premiums may qualify for a tax deduction or HSA eligibility.

- Other policies take LTC charges from cash value and will not qualify for a tax deduction or HSA eligibility.

SEPARATE IDENTIFIABLE LTC PREMIUMS

Policy structure is the key. In order for LTC premiums to be tax deductible or HSA eligible, they must be separate and identifiable. In addition, the LTC premiums must never be linked to the cash value of the policy. Only the life insurance component of the policy can be associated with the cash value.

		Tax Deductible?
Life Insurance (Holds all cash value.)	• Premiums	NO
LTC Premiums (Have no cash value.)	• LTC Rider	YES
	• Extension of Benefits Rider	YES
	• Inflation Rider	YES

In addition, life insurance premiums are not tax deductible as a medical expense, so if an individual taxpayer decides to take a deduction, it would only be for the cumulative total of LTC rider costs (per person if married) up to age-based limits.

Individuals Taking a Medical Deduction vs. an HSA Reimbursement

It always makes good sense to consult a tax advisor on such matters. However in general, the amount of tax savings from claiming a IRC §213 medical tax deduction vs. spending pre-tax HSA dollars for the LTC premium would be similar. Both tax advantages are subject to the same age-based limits. Keep in mind the taxpayer may only choose one tax advantage—they may either deduct their allowable LTC premium, or be reimbursed for the allowable HSA reimbursement.

Individuals who own an HSA account may want to first consider checking to see whether they qualify for a medical tax deduction before taking a reimbursement from their HSA account. The tax deduction is more valuable than an HSA reimbursement by the sheer fact that it preserves HSA dollars for use in a tax year when the taxpayer is unable to qualify for the medical deduction.

Also worth noting is that currently, it may not be easy for individuals to qualify for the medical tax deduction. First, it must make financial sense for the individual taxpayer to itemize deductions; and second, the taxpayer must pay for qualifying medical expenses out-of-pocket in an amount equal to 7 ½% of their Adjusted Gross Income (AGI) before any additional medical expenses (which includes LTC premiums) will qualify as deductible.

Linked Benefit Policies and LTC Tax Advantages for Businesses

LTC tax deductibility rules for businesses vary from those of individual taxpayers. The rules specific to business owners purchasing a policy for themselves and their spouse also vary with the type of business entity. These rules may also apply to the LTC components of certain life insurance based linked benefit policies when structured to qualify for a tax deduction.

C-corporation Owners and Executive Benefits

When LTC coverage classified under IRC §7702B is purchased by a C-corporation for a bona fide owner working in the business, or purchased by any business entity providing employee owned benefits for an employee/executive—100% of the LTC premiums will be deductible to the business as accident and health premiums, and will be excluded from the employee's income. The life insurance premium attached to the policy will also be 100% deductible to the business as compensation (wages) paid, and the employee will pay tax on the life insurance premium amount as income received.

Owners of a Business Classified as a Pass-through Entity

Owners of any pass-through entity will be able to deduct the LTC premiums of the policy, but that deduction will be subject to age-based limits. There is no requirement to itemize

deductions, nor is the business owner subject to the 7½% floor of out-of-pocket medical expenses. Rather, the deduction will be taken as some form of self-employment health insurance, making it an "above the line" deduction for the business owner.

What are Age-Based Limits?

These limits are calculated and published each year by the IRS and determine the maximum tax deduction available, or maximum amount allowed as an HSA reimbursement based on age banding. The rates generally go up on an annual basis, however, due to various formula factors used in the calculations and rounding, it is possible on rare occasions that a segment or segments of these numbers will stay the same from one year to the next. Even more rare is for a subset of numbers to go down, but that is what happened for the tax year 2022 for ages 61-70. The reduction was limited to $10. The chart below shows the history over the last five years for IRS age-based limits.

CHRONIC ILLNESS RIDERS... NOT DEDUCTIBLE

Chronic illness riders are a different product. While similar in some respects, it is important to remember they are not long-term care products and:

- They cannot be marketed or spoken of as long-term care coverage
- They are not required to and usually do not offer the comprehensive consumer protections required of IRC §7702B long-term care coverage.
- They are not tax deductible or HSA eligible

Chronic illness riders are classified solely under IRC §101(g) for determining any tax advantages. While this allows for chronic illness rider benefits to be tax-free up to IRS guidelines, none of the costs for a chronic illness rider qualify for a tax deduction, nor are they qualified for HSA reimbursement.

IRS AGE-BASED LIMITS

Attained Age Before End of Tax Year	2018	2019	2020	2021	2022
40 or under	$ 420	$ 420	$ 430	$ 450	$ 450
41-50	$ 780	$ 790	$ 810	$ 850	$ 850
51-60	$1,560	$1,580	$1,630	$1,690	$1,690
61-70	$4,160	$4,220	$4,350	$4,520	$4,510
71+	$5,200	$5,270	$5,430	$5,640	$5,640

TAX DEDUCTIBILITY POTENTIAL

A General Summary for the Potential to Deduct LTC Premiums

LTC Stand-Alone Policy *(individually owned)*	**YES**, within IRS limitations.
LTC Stand-Alone Policy *(paid for by a business or corp.)*	**YES**. Rules and amount will vary based on the type of business entity and particular circumstances.
Life Insurance-based Linked Benefit LTC Policies	**YES**, when LTC components of the policy are paid for with separate identifiable premium (not from cash value). When qualified, tax advantages for the cumulative total of LTC premiums follow the same rules as traditional LTC premiums (whether paid for by an individual or paid for by a business). Please check with the carrier regarding policy structure and whether qualified for LTC tax deductions.
LTC Rider on Life Insurance	**NO** (generally), when the cost of the rider is paid from cash value deductions, which applies to most policies, except some whole life policies. Please check with the carrier.
LTC Rider on Annuities	**NO.**
Chronic Illness Rider on Life Insurance	**NO.**

FINAL THOUGHTS

Even when LTC premiums can be listed on a tax return as an IRC §213 tax deduction, it will be difficult for many individual taxpayers to reach the requirements needed to realize the deduction. Medical expenses must generally be higher in a year when income is lower. For people with HSA accounts, reimbursements (up to age-base limits) for LTC premiums paid will be available for products that qualify. Business owners will have greater latitude in capturing tax deductions. However, the bottom line is that one should choose the LTC solution that meets the care needs they envision in the future, not because there might be a tax deduction.

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