



# FOCUSED PLANNING

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## LONG TERM CARE ANALYSIS

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On the journey through retirement, prudent retirement planners take precautions against the potential financial impact that a long term care event may have on a family's financial goals. The following analysis was developed to provide education, highlight the costs associated with long term care, assess the protection options available, and help you choose the right protection strategy.

**Prepared For: Valued Client**

**Prepared By: Valued Advisor**

# An Introduction to Long Term Care

## What is long term care? (LTC)

Custodial care received in a nursing home, an assisted living facility, or at home when you need:

### Help with two or more Activities of Daily Living

- Dressing
- Transferring
- Toileting
- Eating
- Contenance
- Bathing

OR

### Supervision due to Cognitive Impairment

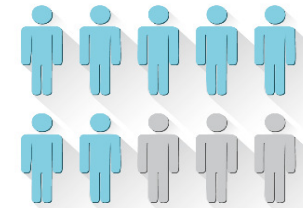
- Alzheimer's
- Stroke

## Common reasons people need LTC:

- Illness: Cancer, Stroke, or Heart disease
- Injury: Bone fracture or Spinal cord injuries
- Aging: Natural aging, Alzheimer's, or Dementia

## What is the probability of needing LTC?

7 out of 10 sixty-five year olds will need some type of LTC services during their lifetime<sup>1</sup>.



## If I have a LTC event, what age might an event occur?

The average LTC claim is made at age 80, although LTC events can happen at any time<sup>2</sup>.

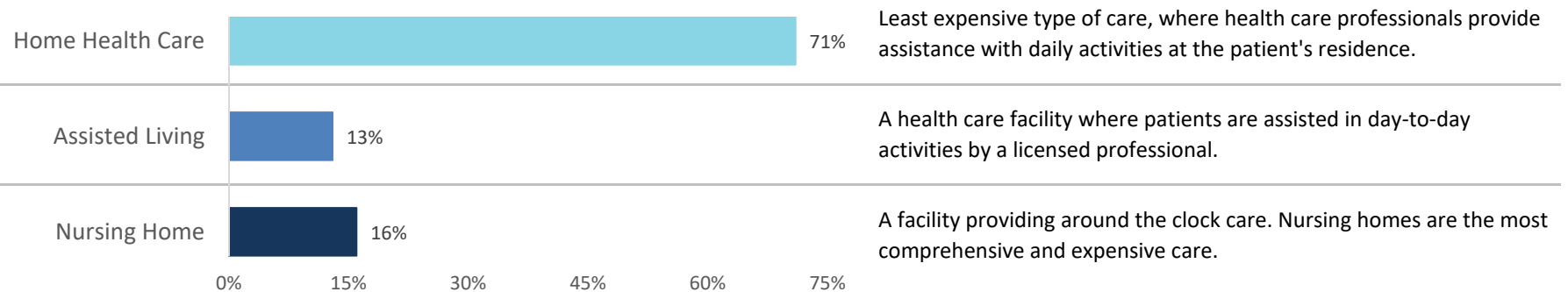


## Types of Care

## Care Used for Initial Claims

## Care Description

LTC claims often begin with receiving home health care (71%) then progress to higher, more expensive, types of care over time.

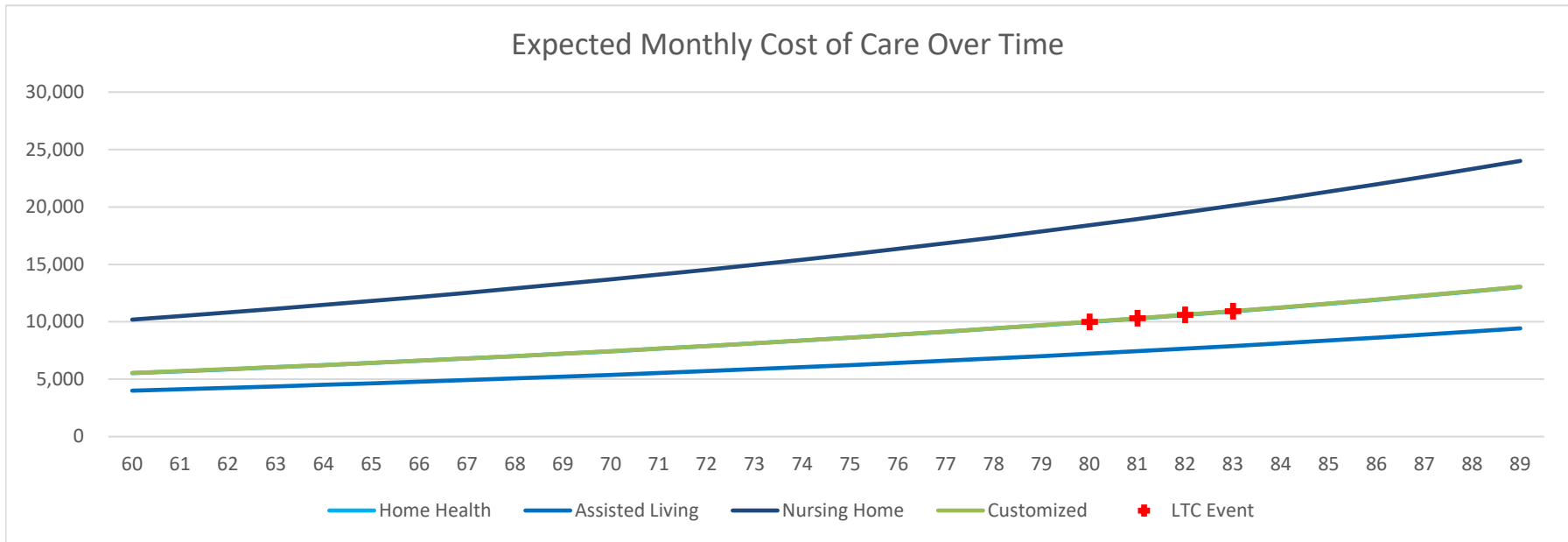


For claims lasting more than one year, the average LTC claim lasts 3.9 years.<sup>3</sup>

## The Potential Impact of a Long Term Care Event

+ The analysis below illustrates a sample LTC event under the following assumptions based on the specified cost of care provided:

- Current Age = 60
- LTC event beginning at age = 80
- Assumed annual inflation of 3% which represents the national average
- Type of Facility = Customized
- Duration of stay = 4 years



### Long Term Care Costs

Type of Care	Current Monthly Cost	Years Until Event	Inflation	Future Monthly Cost	Future Annual Cost
Home Health Care	\$5,529	20	3.00%	\$9,986	\$119,832
Assisted Living	\$4,000	20	3.00%	\$7,224	\$86,693
Nursing Home	\$10,188	20	3.00%	\$18,401	\$220,808
<b>Customized</b>	<b>\$5,537</b>	<b>20</b>	<b>3.00%</b>	<b>\$10,000</b>	<b>\$120,005</b>

**+ Total Cost of Illustrated LTC Event: \$502,057**

## Which Long Term Care Solution is Right for Me?

Individuals have a 70% probability of incurring a LTDC event during their lifetime. Below is a comparison of alternatives to address this risk and the amount of capital required to adequately fund the illustrated event on the previous page.

		Self Fund (Lump Sum)	Self Fund (Multi Pay)	Hybrid LTC (Multi-Pay)	Life Insurance with Living Benefits (Multi-Pay)	Traditional LTC (Multi-Pay)
Need LTC (70% Chance)	LTC Event IRR					
	Return % needed to produce the same LTC benefit with each potential solution	3%	3%	7.0%	6.5%	13.3%
Funding Strategy	Invested Amount	\$277,977	\$31,638	\$14,647	\$17,453	\$5,059
	Additional 1035 Amount					
	Payment Period (Years)	1	10	10-Pay	10-Pay	All-Pay
Insurance Policy Benefits	Initial Monthly LTC Benefit	\$5,537	\$2,637	\$5,537	\$10,000	\$5,537
	Monthly Benefit at LTC Event	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Inflation Protection	3%	3%	3%	0%	3%
	Duration of Coverage	48	48	48	50	48
No LTC Need (30% Chance)	Return % to Heirs at Life Expectancy (Age 85)	3%	3%	0.2%	5.0%	0%
	Proceed to Heirs	\$582,022	\$582,022	\$153,501	\$500,000	\$0
Flexibility	Funds Available if Needs Change	Yes	Yes	Yes	Yes	No

BENEFIT AMOUNTS SUBJECT TO IRS ADJUSTED PER DIEM LIMIT--2019 LTC PER DIEM LIMIT--\$11,100

FIGURES IN BLUE REPRESENT GUARANTEED VALUES

Please see the final page for disclosure information

# Which Long Term Care Solution is Right for Me?

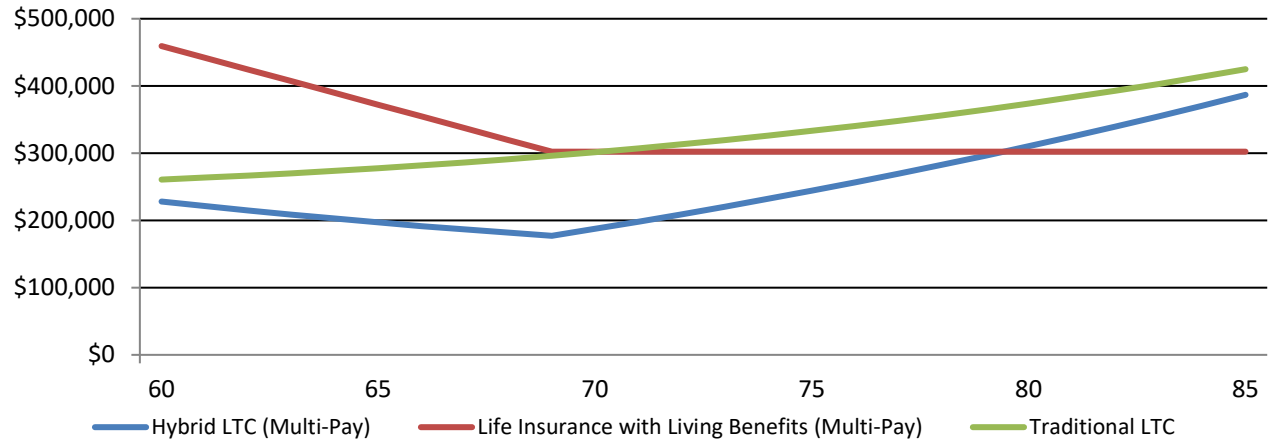
The charts below provide further analysis of the selected insurance alternatives by examining the relationship between the following features:

\*LTC Benefit Pool - Total resources available for LTC expenses at a given age ( increasing with inflation, if applicable)

\*Death Benefits - Proceeds provided to beneficiaries at the passing of the insured at a given age

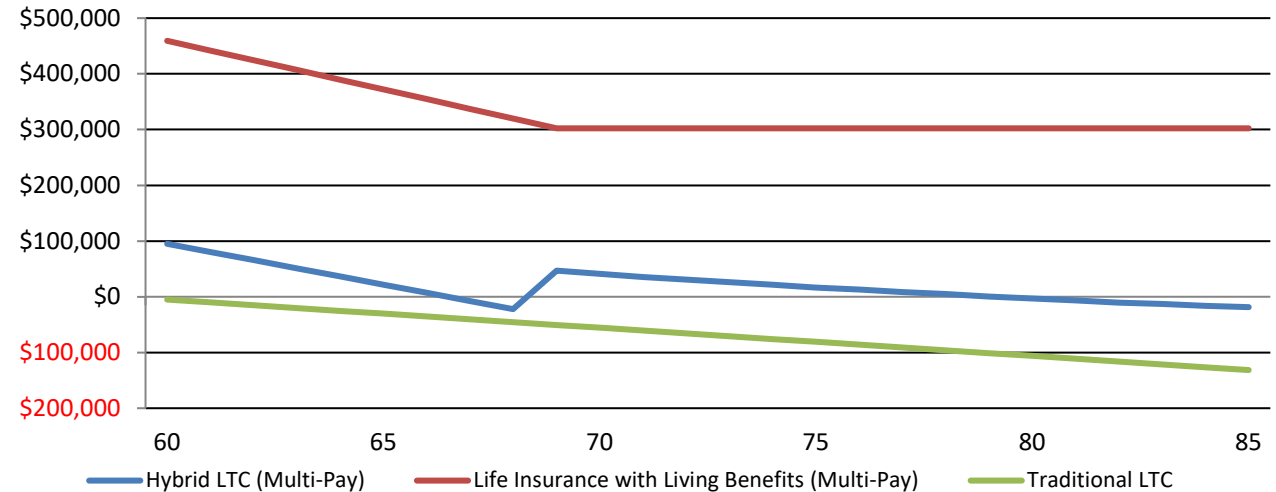
## LTC Benefit Pool in Excess of Contributions

The chart to the right highlights the total LTC Benefit Pool less cumulative Contributions, demonstrating the leverage each alternative provides with respect to a potential LTC event.



## Death Benefits in Excess of Contributions

The chart to the right highlights the Death benefits payable less cumulative Contributions, demonstrating the leverage each alternative provides if the insured passes away prior to experiencing a potential LTC event.



## Disclosures

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This illustrator is designed to be educational in nature and not intended to provide specific investment, legal, tax, or accounting advice. Each variable should be closely considered based on each individual's unique time horizon, investment objective, and risk tolerance.

Female	60	LTC event beginning at age 80	Assumed Annual inflation of 3%
Single	Standard	Duration = 4 years	Type of Facility = customized

### References:

- 1.) U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, [www.longtermcare.gov](http://www.longtermcare.gov), September 2008)
- 2.) American Association for Long-Term Care Insurance, 2012 LTCi Sourcebook
- 3.) Genworth Cost of Care Study (2018) - applies to all information in the table/chart above
- 4.) Long Term Care Costs – Sourced from <https://www.genworth.com/corporate/about-genworth/industry-expertise/cost-of-care.html> based on client's state.

### Accompanying Documents:

The Long Term Care Questionnaire (questionnaire) highlights the given assumptions that were used as the basis for this analysis and should accompany this presentation. Figures for all non "Self-Funded" solutions are based on hypothetical illustrations using the information provided in the submitted questionnaire.

The product illustration(s) contains information about the product's features, risks, charges, and expenses. Please read and consider the information in the illustration and prospectus (if applicable) before investing. For variable products, this material must be preceded or accompanied by a prospectus for each investment product being recommended. Prospectuses are available from your financial professional. Product availability and features may vary by state.

### "The Potential Impact of a Long Term Care Event"

"Total Estimated Cost of Illustrated LTC Event" - The cumulative future LongTerm Care Cost beginning on the specified date, increasing by the stated inflation rate, and lasting the for the duration specific in the questionnaire.

### "Which Long Term Care Solution is Right for Me?"

Internal Rate of Return (IRR) - The interest rate at which the net present value of all cash flows (in and out) from an investment equal zero.

Self Fund (Lump Sum) - An alternative to LTC insurance in which the client elects to set aside a lump sum today in order to cover the illustrated LTC event.

Self Fund (Multi-Pay) - An alternative to LTC insurance in which the client elects to set aside funds annually over a specified period of time in order to cover the illustrated LTC event.

Items noted in **blue** represent contractually guaranteed elements of potential insurance solutions.

"Life Insurance with Living Benefits" solution represents a universal life contract with a death benefit guarantee feature and either a true LTC rider or a chronic illness rider.

Access to "Funds Available if Needs Change" may be limited due to surrender charges or a required or specified holding period.

The "LTC Event IRR" and the "IRR to Heirs at Life Expectancy" for "Self Funded" scenarios represent the assumed rate of return (per the default rate of 3%, unless otherwise specified on the submitted questionnaire) for funds

set aside and invested for future LTC needs. This assumed rate of return may not be guaranteed and could be subject to market fluctuation depending on the underlying savings vehicle.

"Proceeds to Heirs" assumes no LTC event occurs and that death of the account/policy owner occurs at the stated life expectancy and is based on assumed rates of return or contractual guarantees.

Traditional LTC - "Invested Amount" refers to scheduled premium payments which are subject to rate increases over the life of the contract. Premium increases will negatively affect the IRR calculation, reducing it. A return of premium rider may be available for an additional cost that if elected, could provide for an amount that would qualify as "Proceeds to Heirs".