



# LTC News

| INSIDE THIS ISSUE:                             |   |
|--|---|
| Tax Deductions—Business Owners Advantage       | 1 |
| Solving Estate Tax Problems with LTC Insurance | 1 |
| Pending LTCI Legislation                       | 2 |
| Long Term Care Quiz                            | 2 |
| Press Presents Agents With Golden Opportunity  | 2 |
| The Dramatic Evolution of Long-Term Care       | 2 |

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**“Call us for information on how we can help you add LTCI to your business.”**

## Tax Deductions—Business Owners’ Advantage

By Denise Gott

Premiums payments for tax-qualified (TQ) long term care insurance policies are fully (100%) tax deductible as a reasonable and necessary business expense—similar to traditional health and accident insurance. (IRC Sec. 7702B(a) [3]). Tax deductible insurance protection can be purchased for employees and owners. Company paid policies can cover spouses—even though they are not employed by the company—and retirees. Sounds great, right? Using pre-tax dollars to fund post-retirement asset protection. Then why aren't you talking to your business owner clients about adding LTCI to their personal benefit package? C-Corporations can deduct 100% of premiums paid for business owners, spouses, and any bona fide class of employees that the business

owner chooses to create based on such factors as officers of the corporation or length of service. This premium is not included in income for the business owner or the employees and benefits are tax-free at claim time. Treatment of S-Corporations are a bit different, however, the attractiveness of the tax deduction is still there. Greater than 2% Shareholders of an S-Corp are treated as self-employed individuals for the purposes of the deduction, so even though they receive the LTCI premium as “pass through” income, they can still take a tax deduction as if they were self-employed based on the allowable deduction age based table. The point is, financial planners, CPA's, insurance agents are leaving money on the table and taking the chance that

someone else will come in and implement LTCI for their clients. Don't leave that to chance. Pick up the phone and call us. We can help you present this benefit to your client, educate them on the need for LTCI, the tax incentives, and help you implement this valuable benefit for your client. You have nothing to lose and everything to gain. A new reason to call your client, an opportunity to work with professionals in the LTCI business and you don't even have to spend your valuable time learning all of the tax jargon and LTCI policy specifics. We'll take care of the details; call us to arrange a joint sales call. We'll accompany you and provide all of the necessary literature, tax information, and provide a professional educational presentation that can help you make the sale.

## Solving Estate Tax Problems With LTC Insurance

by David Miller

Do any of your clients have a potential estate tax problem? Are they maxed out on their annual gifting? Are they wanting to get as much money out of their estates from taxes?

Allow me to illustrate...

Ms. Smith is a 76 year old widow with two sons. She has a rather large estate. She has been gifting the maximum allowable amounts each year to family members. She has life insurance to help cover the estate taxes but the estate is still growing. What else can she do? The IRS allows for an unlimited gift tax exclusion for medical expenses. This is in

addition to the \$10,000 gift. Qualified long-term care insurance is included in the term “medical expenses”.

Ms. Smith buys a single premium, qualified LTC policy on her two sons and their wives. She must make the check payable directly to the insurance company. The idea is to get as much money out of her estate, so she maximizes the benefits in order to drive the premium.

All four insureds purchase \$250 per day, 100% Home Care, 5% compound inflation, 30 day elimination period, lifetime benefit. The total sin-

gle premium equals \$287,000. So, everybody is a winner in this example.

Ms. Smith wins because she gets even more money out of her estate instead of giving it to Uncle Sam. The kids win because they have a paid up LTC policy and Ms. Smith's grandchildren win because there is a full return of premium at the death of the surviving spouse.

If you would like to read the actual IRS code on this exclusion, please call Ohio Long-Term Care Brokers and we will be happy to fax or email it to you.

## Press Presents Agents With Golden Opportunity

By George Sherman

The press has traditionally written about topics related to nursing homes. However, recent reportage on LTC has dramatically shifted in content from the past. Previously, newspapers focused on the problems encountered by individual elderly patients in nursing homes. People who physically suffered from inadequate care were a prime story line. For example, patients with bedsores, who were improperly medicated, or who wandered, were common fare for those following LTC in the press. Even a worst-case scenario, a fire in a nursing home, tended to jade readers due to its predictable appearance in the press.

### The media gets the message

The media has found a new angle, one which focuses not on the plight of the individual patient, but on that of the nursing home itself. The story now is not about the problems experienced by individual patients, but about the systematic crisis facing the facilities caring for those patients. The bankruptcies of seven major nursing home chains have sent a loud and clear message

to the press: the new story about nursing homes is their financial condition and woefully inadequate public financing that threatens their survival. This shift in focus is both a challenge and an opportunity for LTC insurance agents.

### The challenge for LTC agents

First of all agents should become aware of this development and what it means to their business. In a nutshell, thanks to the media, people are getting the message that public financing, rather than an entitlement blessing, is the root cause of a national institutional crisis for LTC. Agents serious about the LTC insurance business will take the time to learn the facts. They will be able to answer the following questions: What are the main reasons why this financing crisis is currently hitting the nursing-home industry? What is government doing to help? Is government assistance sufficient to do the job? What does this mean for the future of LTC and of LTC insurance? What does this mean for the consumer? Another challenge to LTC agents

is to take advantage of what the press is saying, and to take it the next step: inform consumers what these developments personally mean to them.

### Carpe diem

We have yet to see the press apply its coverage of the crisis in nursing homes and the threat to the future of LTC to its readers. This is a golden opportunity for agents. Marketers of LTC insurance should follow local coverage, and follow up in their prospecting. Informed agents can point out to consumers that financing is the crux of the crisis in LTC, and that, while individuals are virtually powerless to change the system, they can safeguard their own future. Agents can also help prospects understand that more LTC providers such as Manor Care will cater to private payers. It is also imperative that agents point out the power of the private dollar to change the profile of the entire LTC industry.

The media is handing LTC agents an unparalleled opportunity to educate consumers and increase their business.

Source: LTC News & Comment, Apr 2000

by Denise Gott

is still hope. With your help, we can continue this push and ultimately gain approval for this much needed tax incentive. Contact your Representative and encourage them to act on this pending legislation. It's socially responsible.

by George Sherman

The dramatic evolution of LTC policies is witness to the education of the carriers themselves of the true nature of LTC. In the early years insurers modeled their products on the medical, the indemnity, model. Over the years, under pressures from consumer advocates, and by listening to experts in LTC, carriers revised their thinking to more effectively address the social nature of LTC.

Source: www.mrltc.com

## Pending Legislation—HR 2096

Above the line tax deductions for long term care insurance are still a hot item for Congresswoman Nancy Johnson, R, CT and Congressman Earl Pomeroy, D, KS who have reintroduced their previous bill supporting above the line tax

deductions for the purchase of LTCI, tax credits for family caregivers, and allowing LTCI to be part of Section 125 Plans. HR 2096, however, did not become part of President Bush's latest tax cut plan that was passed in May, but there

## The Dramatic Evolution of Long-Term Care

Every aspect of LTC has changed over the last ten years. In the last issue we looked at the evolution of the legislative and regulatory environments of LTC.

### LTC insurance products have evolved exponentially

In the late eighties LTC products could be classified as nursing-home-only plans. No home care, no alternative residential care, no adult day care, no care management. Policies were simple indemnity plans. Carriers that offered an op-

tional 5% simple, not compound, inflator thought of themselves as innovative. Of course, the average premium, reflecting the bare bones benefit structure, was about \$900 per year ten years ago.

Compare that price with today's freight: almost \$1,900 per year. But what a difference in benefits! Home care, assisted living, managed care, alternative plans of care, adult day care, remodeling of one's home, bed reservations, and 5% compound inflation.

**“The new story about nursing homes is their financial condition and woefully inadequate public financing that threatens their survival.”**

## LONG TERM CARE QUIZ

**HOW MUCH DO YOU REALLY KNOW ABOUT LONG-TERM CARE? THIS 10-QUESTION QUIZ WILL TEST YOUR KNOWLEDGE AND OPEN YOUR EYES.**

1. The average cost of a one-year stay in a nursing home is less than \$30,000. T F
2. Only old people need long-term care. T F
3. Medicare is a primary financier for long-term care. T F
4. Medicare supplements cover long-term care services not financed by Medicare. T F
5. Individuals must spend down their assets before qualifying for Medicaid. T F
6. My health insurance covers long-term care expense. T F
7. If I need long-term care, the government, my church, the VA or charity will pay. T F
8. Most long-term care services are provided in a nursing home. T F
9. Even if I need long-term care, it will only be when I'm old and only for a short time. T F
10. Long-term care insurance is tax deductible. T F

*Look for the answers in the next issue of LTC Consumer News.*

**“The average premium, reflecting the bare bones benefit structure, was about \$900 per year ten years ago.”**