LONG-TERM CARE

Preserving Wealth with Protection IUL

FACTS YOU SHOULD KNOW

70% of people over age 65 will require some level of care at some point in their lives.[1]

$94,000 is the national average for 24-hour home care or one year in a nursing home.[2]

Identify clients

TARGET MARKET: Ages 50-65

STATUS: Need affordable death benefit protection and long-term care (LTC) coverage

SITUATION: These clients are looking for a solution to help protect their family, hard-earned assets and financial future from the high costs of long-term care.

Ask the right questions

- Are they aware of the typical costs of long-term care coverage?
- Are they looking for an investment that allows them the flexibility to use their assets towards LTC expenses, or if LTC expenses are not needed, towards other financial goals?
- Have they set aside assets to pay for these costs?
- Do they want to leave some of their assets to their children or grandchildren? If so, will the cost of care impact the amount they are able to leave as a legacy?

Provide the solution

Clients can purchase a Protection IUL policy with the Long-Term Care (LTC) rider. Adding a LTC rider to the policy allows the client access to a portion of their policy's death benefit should they need assistance paying long-term care expenses. Any death benefit not used to pay LTC expenses is paid as a life insurance benefit to the policy beneficiaries.

Case study – meet Mary

Mary, age 60, Preferred Non-Smoker, has two children. Mary has worked hard to achieve a comfortable and financially secure future. Having managed the long-term care needs of her mother-in-law, she realizes first-hand the financial, emotional and physical toll that care-giving can have. As she nears retirement age, she is especially concerned about the rising cost of long-term care and its impact on her retirement savings. Plus, Mary does not want to burden her children. Her advisor suggests that she purchase an Indexed UL product for the low-cost death benefit and add the long-term care rider for greater protection against potential LTC costs.

How it works

Mary purchases a Protection IUL policy with the LTC rider for $750,000

WHILE LIVING, IF THE NEED FOR LTC ARISES

Mary can receive up to $15,000/month on a tax-favored basis to cover the costs associated with long-term care

IF DEATH OCCURS

Income tax-free death benefit to heirs: $750,000

This is a supplemental illustration. Not all benefits and values are guaranteed. The assumptions on which the non-guaranteed elements are based are subject to change by the insurer. Actual results may be more or less favorable.

The result

Mary now owns a Protection IUL policy with the LTC rider, with the potential for a maximum monthly benefit of $15,000 to help cover LTC expenses, if needed. The combined life insurance policy has satisfied two goals — Mary is protecting her family in the case of her death and she is protecting her assets if she needs help paying for long-term care.

For more information, contact AdvisorNet Financial at 877-285-5799, or jlarkin@advisornet.com.

1. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, www.longtermcare.gov, September 2010.

2. Based on the John Hancock 2013 Cost of Care Survey conducted by LifePlans, Inc. Costs rounded to the nearest dollar.

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Protection UL policies automatically include a no-lapse guarantee called Death Benefit Protection. This feature guarantees that the policy will not default, even if the cash surrender value falls to zero or below, provided that the Death Benefit Protection Value remains greater than zero and policy debt never exceeds the Policy Value. Once terminated, the Death Benefit Protection feature cannot be reinstated. See the product technical guide for additional details.

The Long-Term Care (LTC) rider is an accelerated death benefit rider and may not be considered long-term care insurance in some states. There are additional costs associated with this rider. The Maximum Monthly Benefit Amount is $50,000. When the death benefit is accelerated for long-term care expenses it is reduced dollar for dollar, and the cash value is reduced proportionately. This rider has exclusions and limitations, reductions of benefits, and terms under which it may be continued in force or discontinued. Consult the state specific Outline of Coverage for additional details. Please go to www.jhsalesnet.com to verify state availability.

Loans and withdrawals will reduce the death benefit and the cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Withdrawals in excess of the cost basis (premiums paid) will be subject to tax and certain withdrawals within the first 15 years may be subject to recapture tax. Additionally, policies classified as Modified Endowment Contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59½. Cash value available for loans and withdrawals may be more or less than originally invested. Withdrawals are available after the first policy year.

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