Unlock your long-term care planning potential
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Long-term care can be a sensitive topic, but clients need to plan for these potential expenses just like they would plan for any other future financial need. Nationwide Financial® has the tools and resources to help.

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Keep in mind that as an acceleration of the death benefit, the LTC rider payout will reduce both the death benefit and cash values. Care should be taken to make sure that your clients’ life insurance needs continue to be met even if the rider pays out in full. There is no guarantee the rider will cover the entire cost for all of the insured’s long-term care as these vary with the needs of each insured. As your clients’ personal situations change (e.g., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure this product is suitable for their long-term life insurance needs. They should weigh any associated costs before making a purchase. Life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as sex, health and age, and has additional charges for riders that customize a policy to fit your clients’ individual needs. Also, tax laws are complex and subject to change, so your clients should contact their tax and legal advisors for answers to their specific questions.
Consider the odds

Many people assume receiving long-term care services means living in a nursing home. Actually, the majority of people receive care at home or in home-like settings.¹ And the odds are high your clients will need long-term care at some point in their lives:

1 in 1200²

1 in 240²

1 in 2²

They would never go without homeowner’s coverage, yet only 10% of people over the age of 65 own a long-term care policy.³

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¹ AALTCI- The American Association for Long-term Care Insurance Sourcebook 2012 – 2013.
³ What to Know About Long-term Care and Medicaid- The Wealth Channel- 2011.
Baby boomers and long-term care

Heath care costs are likely to be among your clients’ largest expenses in retirement.

Around 10,000 baby boomers will retire every day until the year 2030.^[4]

Only 17% of baby boomers have planned for their long-term care needs.^[5]

Average stay in a nursing home: 2½ years

Average length of care outside of a nursing home: 4½ years

**Average cost of care per year:**
- Private room: $87,235 ($239 per day)
  - Cost for average 2½ year stay — $218,087
- Semi-private room: $78,110 ($214 per day)
- Assisted living facility: $41,724 ($3477 per month)
  - Cost for average 4½ year stay — $187,758

**Average cost of home health care: $21 per hour**
- Annual cost (based on 40 hours of care): $42,000
- Average need of 4½ years could total $189,000

**Adult day care averages $70 per day**
- 50 weeks, 5 days a week = $17,500 (50 weeks)

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6 NCPC- National Care Planning Council - October 2012.
It’s a woman thing

Planning is crucial for women because they tend to live longer than men — making them more likely to be caregivers to their spouses and less likely to have the same support later on when they need it.

80% of men die married and 80% of women die single.  

Women represent 75% of all informal caregivers.  

Although 65% of women discuss their retirement with a financial advisor, only 1 in 10 discuss the possibility of long-term health care.

9 Completelongtermcare.com, August 2012.  
10 Healthcare Costs in Retirement, Feb 2012, Harris Interactive.
The need for a plan
Statistics show that the likelihood of needing some kind of long-term care is significant. And these costs are not covered by health insurance, Medicare or the other plans people typically assume will pay for these costs.

### WHO COVERS WHAT

<table>
<thead>
<tr>
<th>Plan</th>
<th>Coverage Description</th>
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<tr>
<td>Private health insurance</td>
<td>Only pays for skilled care, where the patient shows signs of improvement.</td>
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<tr>
<td>Medicare</td>
<td>Covers the costs of long-term care temporarily, up to 100 days in a skilled nursing facility after a hospitalization of three days or more, after a three consecutive day stay under treatment in a hospital. After 20 days, the patient incurs a $144.50 co-pay (2012).</td>
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<tr>
<td>Medicaid</td>
<td>Requires a person to be indigent, with $2,000 or less in assets (depending on the state), to receive long-term care.</td>
</tr>
<tr>
<td>Social Security</td>
<td>Does not provide any sort of special funding.</td>
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With costs constantly on the rise, having to pay for long-term care out of pocket could be financially devastating — even for the affluent.

So, your clients may need an alternative way to address these expenses. There are many types of long-term care coverage out there, but one alternative to consider is a life insurance policy combined with a long-term care rider.

By 2030, the cost for a semi-private room is expected to be $265,000 per year.¹¹

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How life insurance can help
Life insurance with a long-term care rider gives your clients a tax efficient way to help face these expenses. This combination enables them to:

**MAINTAIN SOME CONTROL**

- Helps manage long-term care costs so they don’t deplete assets
- Offers the potential to stabilize premiums so they don’t skyrocket as the client gets older
- Can pay rider benefits directly to the owner of the policy for qualifying expenses without the need for receipts (this is referred to as an indemnity-style benefit)
- May even allow them to use excess funds not needed for qualified care to cover other expenses as needed, such as:
  - Home safety improvements
  - Prescription medicine
  - Massage therapy
  - Supplemental care from family members

**HELP PROTECT THEIR FAMILY**

- From financial hardship if there is an extended need for qualified long-term care
- By leaving an inheritance to family members (or even a favorite charity) if the benefits from the rider are not needed or are completely depleted
- From the possible stress and fallout of having to care for aging family members

And if the insured never needs long-term care, the beneficiary receives the death benefit from the policy — which helps eliminate the “use it or lose it” objection many people have to traditional long-term care policies.
Identifying clients
Generally, if a client needs life insurance, is between the ages of 55 and 65 and wants a plan for dealing with potential long-term care costs, then life insurance with an additional long-term care rider may be a good solution. More specifically, look for clients who have:

- Objected to traditional long-term care policies in the past
- Assets that could be re-purposed for legacy enhancement and long-term care
- Recently experienced dealing with a parent’s long-term care situation

**Women and children first**

As discussed earlier, women are especially vulnerable to the devastating effects of long-term care expenses. A longer life expectancy means they have to stretch their retirement savings farther and are more likely to require long-term care later on. In fact:

- More women than men purchase long-term care coverage
- More women go on long-term care claim than men
- Women statistically will be on long-term care claims longer than men

It may also be helpful to look at the adult children of aging parents. They are likely to be concerned with protecting both their parents’ care options and their own financial wellbeing down the road.

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14 American Association for Long-term Care Insurance, 2012 LTCI Sourcebook.
Breaking the ice
Once you’ve identified a potential long-term care client, you can use the following questions to help start a conversation on the need for, and benefits of, planning.

**How would you feel about a plan that would allow you to stay in your home should you no longer be able to care for yourself?**

**Use these questions to gather more detailed information:**

- Did you realize that half of all long-term care claims are for home health care?
- Would you like a plan that gives you the flexibility of choosing who your providers are?
- What would you think about a plan that allowed you to spend excess benefits not needed for medical care any way you choose?
  - Pay prescription costs not covered by health plan
  - Make modifications to your home to remain in home longer
  - Anything not normally covered by health plans
  - To allow a family member to supplement your care
Would your spouse be able to maintain their home and lifestyle should you encounter expensive long-term care costs?

Use these questions to gather more detailed information:

- Does your spouse really have the ability to care for you without impacting his/her own health?
- How long would your assets last if unexpected costs had to be paid?
- What asset would you sell first if you needed to fund long-term care expenses?
- Would self-insuring long-term care costs ultimately put your spouse at financial risk of impoverishment?

Do your children have the physical ability or financial stability to care for you later in life?

Use these questions to gather more detailed information:

- Do your children have the training to provide you quality care?
- Can your child afford to quit work or reduce hours to care for you?
- Do you want to move to where your child lives?
- Is it possible that one child (or child’s spouse) will have to bare the majority of the responsibility for your care?
- If you give power of attorney to one child, could the others resent being excluded from the decision-making process?
- How will your children determine a fair split of expenses?
- Do your children have children of their own which may consume their time/finances during your later years?
- Have you actually discussed your long-term care plans with your adult children to ensure everyone is on the same page?
Overcoming objections
Use the following list of suggestions to help overcome common objections and help your clients prepare for the future.

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<thead>
<tr>
<th>CONCERN</th>
<th>POINTS TO CONSIDER</th>
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<tr>
<td>Long-term care coverage is too expensive.</td>
<td>Life insurance with a long-term care rider can be surprisingly affordable. While the exact cost will vary based on your clients’ age, sex and other factors, adding the rider to their life insurance policy may increase costs by as little as a few hundred dollars each year.</td>
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<tr>
<td>I already have a stand-alone long-term care insurance policy — I don’t need any more coverage.</td>
<td>Life insurance with a long-term care rider can be used to supplement the coverage your clients already have in place. It can serve as a backup in case they exhaust their stand-alone policy’s benefits or simply to provide additional funds. Please keep in mind that any amount of total benefits that exceeds whichever is greater, the daily HIPAA rate or the actual bills for care, will be taxed as ordinary income.</td>
</tr>
<tr>
<td>If I need care, Medicaid or Medicare will take care of the costs.</td>
<td>To qualify for Medicaid, your clients’ assets can’t total more than a few thousand dollars (the exact amount varies by state), and rules are strict to prevent people from giving away assets to qualify. For those who do qualify, choices are very limited: they can’t make their own decisions about the type and place of care. Medicare is very limited in what sort of care it will pay for, and how long it will pay. It is limited to skilled care, which is defined as short-term services to help patients recover from something. Medicare will pay for up to 100 days’ worth of skilled care; the first 20 days are at no cost, but the remaining 80 days require a co-pay. Chronic care, as many Alzheimer’s and stroke patients need, is not covered by Medicare.</td>
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### Concerns to Consider

#### Long-term care policies are just so much hassle — keeping track of receipts and paperwork for care expenses is overwhelming.

Some companies offer riders with an indemnity-style benefit, which means that once your clients qualify for the benefit, the money is paid directly to the owner of the contract. No receipts need to be kept, and no bills need to be submitted once deemed eligible, as they must with many other companies’ riders and stand-alone policies. Please keep in mind that the long-term care rider payout is an acceleration of the death benefit, so it will reduce both the death benefit and the cash surrender value dollar for dollar. Care should be taken to make sure that your clients’ life insurance needs continue to be met even if the rider pays out in full.

In NY, KY and Virgin Islands, the cash value will be reduced on a pro-rata basis based on long-term care benefits taken. The surrender value will be the cash value minus any surrender charges and indebtedness.

#### If I never need long-term care, the money I spend on a policy will be wasted.

With some long-term care riders, if your clients are fortunate enough to never need care, the death benefit will be paid to their beneficiaries as with any life insurance policy.

#### I’ll never be able to save enough to cover my long-term care expenses in retirement. So, why even bother?

The total cost of long-term care can seem, daunting. But, life insurance/long-term care rider combination products enable your clients to leverage the money they have now into a potentially larger amount that can then be used to help fund their long-term care needs later on.
Examples
Meet Shelly

Her mother recently lost her battle with Parkinson’s Disease. She was unable to live alone for the last three years of her life, so she lived with Shelly. Shelly’s brothers both live out of town, making her the primary caregiver. This new role wore on Shelly physically and emotionally — she even had to pass up the promotion she’d been working toward for years. Shelly’s parents never planned for long-term care expenses, feeling the additional coverage was a waste of money. But Shelly sees how helpful long-term care coverage would have been on her mom. Having the money to hire help would have given Shelly the opportunity to continue her career path.

Now Shelly’s worried about the impact a similar situation could have on her own children. She decides to call her insurance professional, and learns about a product using life insurance with a long-term care rider. The death benefit can be accelerated on a monthly basis to help pay for long-term care expenses, but if not needed or entirely depleted, will provide a death benefit for her beneficiaries. Now Shelly feels confident that her children won’t have to face the same challenges she did.
Meet Bob

He’s saving for both retirement and college expenses for his children. He’d also like to have a plan for his mother to cover long-term care expenses if she ever needed care. With his other obligations, Bob may not be able to help her financially later on and he doesn’t want her to have to rely on government assistance — which would require her to spend down her assets and limit her options for care.

Bob mentioned his concerns to his insurance professional and found out that he could purchase a life insurance policy on his mother with a long-term care rider. Bob would be the owner and beneficiary on the policy and his mother would be the insured. If his mother needs care, the long-term care will be paid to Bob as the policyowner. He could then pay his mother’s bills directly to the service or facility, which will avoid gift tax via the medical exclusion. If his mom never needs long-term care, Bob will receive the death benefit from the policy. Bob feels this is an efficient way to fund his mom’s potential long-term care costs without jeopardizing his other financial obligations.

Please note that your clients should consult their tax advisors when implementing this plan.
Resources and next steps
From product solutions to support, Nationwide is here to help you through every step of the long-term care planning process.

**Product solutions**

Your clients each have their own unique needs and goals for the future. So, we offer an indemnity-style long-term care rider on a wide selection of permanent life insurance products to help you provide customized solutions, including our:

- Indexed universal life — potential for growth and protection from loss
- No-lapse guarantee universal life — death benefit focus, as opposed to cash value focus; no-lapse guarantee
- Accumulation variable universal life — geared toward cash value accumulation as opposed to highest death benefit
- Protection variable universal life — death benefit protection with the potential for some cash value accumulation
- Current assumption universal life — protection and access to cash value
- Single premium universal life — guaranteed death benefit protection with guaranteed growth rate

**Support tools and materials**

We also offer a range of tools to help you prepare for, and have, the long-term care planning talk with clients, including:

- Prospecting materials
- Fact finders
- Educational materials — for you and your clients
- Sales ideas
- Personal long-term care cost calculator
- Customized proposals
- Client presentations
Next steps

Now that you have more information on long-term care planning:

2. Schedule a meeting with potential long-term care clients.
3. Use the questions in this guide to help you get the conversation started.
4. And give us a call if you have questions or want to discuss a specific case.

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<th>National Sales Desk:</th>
<th>1-800-321-6064</th>
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<tbody>
<tr>
<td>Nationwide Financial Network*:</td>
<td>1-877-223-0795</td>
</tr>
<tr>
<td>Brokerage General Agents (BGAs):</td>
<td>1-888-767-7373</td>
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