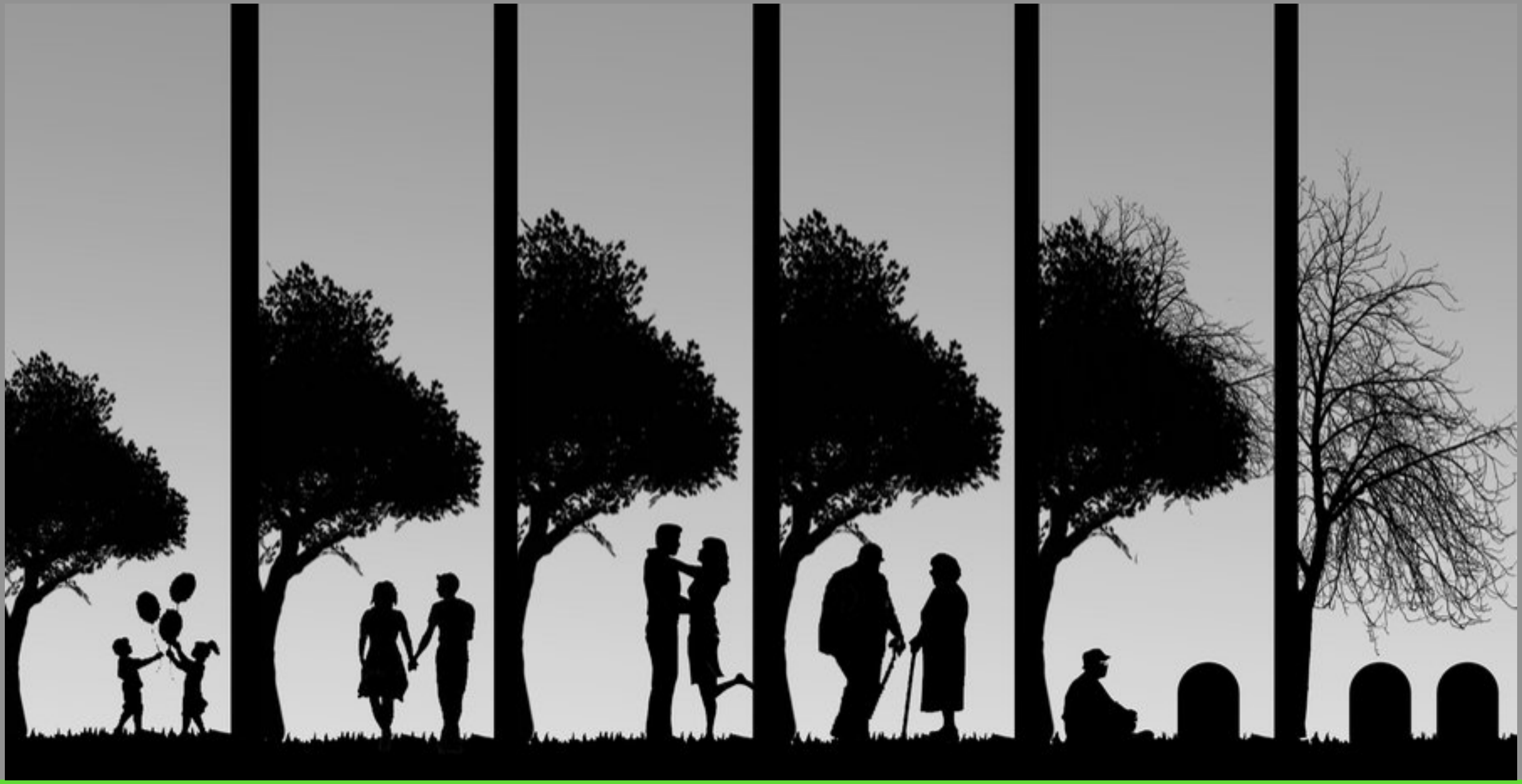

Protect Family Wealth Capital From a
Potential Nuclear Care Event

Community Education Series

DearOldFolks.com



16 Ways
to Preserve
Family Wealth Capital
Before Long Term Care Risk looms!

A Note Of Caution

There are few Standardized Terms used in this Space

**Individuals, Companies and Marketers interchange
and even invent
Terms and names for services and coverage**

Ask questions and be sure you understand !

Disclaimer

My approach is Educational and Entertaining Inspiring you to seek Help

This is an Overview that presents Items and <u>Questions to Explore</u>

It's a look at Practical Possibilities for Eldercare needs.

Hopefully you will be a smarter consumer of these services

I am 20 years retired and nothing is for sale here

I keep my Financial License current but no longer sell Products

Unbiased Education only

This represents my understanding of current facts.
You are advised to seek independent authority

Our Task Here Is

Education on :

Eldercare and CareGiver Crisis

The Logic and Math of Eldercare Planning

Many Methods to Reduce Eldercare Financial Risk

State and Federal Programs that May Help

The Purpose of Capital is to GENERATE INCOME ! ! !

Spending Capital on Eldercare Expenses Limits Your Ability to Generate Income

The Dedication to Family Commitments and Plans for the Future is Paramount

Will you Jeopardize Discretionary Expenses for your Heirs, like College funding, Helping Kids, Charity, Good works or Vacations ?

Eldercare is not about YOU !
It's about Spouses, Daughters and Family Future

Without a plan to deal with and Fund Eldercare THEY will have to take care of you
with possible irreversible consequences for THEIR FUTURE.

The American Eldercare Saga

1935 - Social Security Act

1965 - Medicare, MedicAID - Older Americans Act

1980 on - Shift from Charity based providers to
care provided by the FOR Profit Care Industry

Years Since - OAA Reauthorized only with intense lobby efforts
Hundreds of Bills, Most Failed. More studies
Complex Rules, Intense Budget Pressures

Today - **Families are largely responsible** to provide and/or
pay for Care while navigating the maze of complex
System rules and regulations

This year - 45 Million <u>Family</u> Caregivers will care for 50 Million
Including 15 Million Alzheimers disease patients
for 7 years or more

Coverage for Eldercare Long term Care

MediCARE ? ... NO

Health Insurance ? ... NO

Disability Insurance ? ... NO

Medicare is to CURE health issues and rehabilitate up to 20 or 100 days

Standard Health Ins. does same for those under 65

Disability Ins. Pays 60 to 80% of your paycheck with time limits

No Plan for Eldercare ? - You Pay

Many Eldercare Scenarios

1. Big and Ugly dies quickly with little expense , No crisis

2. Sweet and Lovely needs care at a high expense facility for 6 years

* 3. Bigly needs care and Sweet steps up to care for him - she endures 3 years then he goes to a high cost facility

4. All the Family $$$ is spent on Bigly - Sweet is forced to go on Welfare MedicAID if she needs Eldercare

5. Daughter or Daughters-in-law provide care and jeopardize their own family and future

6. The Kids take $$$ responsibility and risk retirement, college funding

→ 7. Provide your own anecdotes here from friends or experience

Most Eldercare is provided by Women and Daughters at Home

Wife or Daughter

Your job NOW is to convince him/her the impact Eldercare will have on you.

They don't want to plan for Eldercare because they know they will not need it, ever.

He needs to do it for them, to protect them

SO WHAT !

Eldercare is DIFFERENT

There's NO cure and it will likely get worse

The problem is <u>not solved</u> by Insurance,

Home Care, or a Facility care - But ...

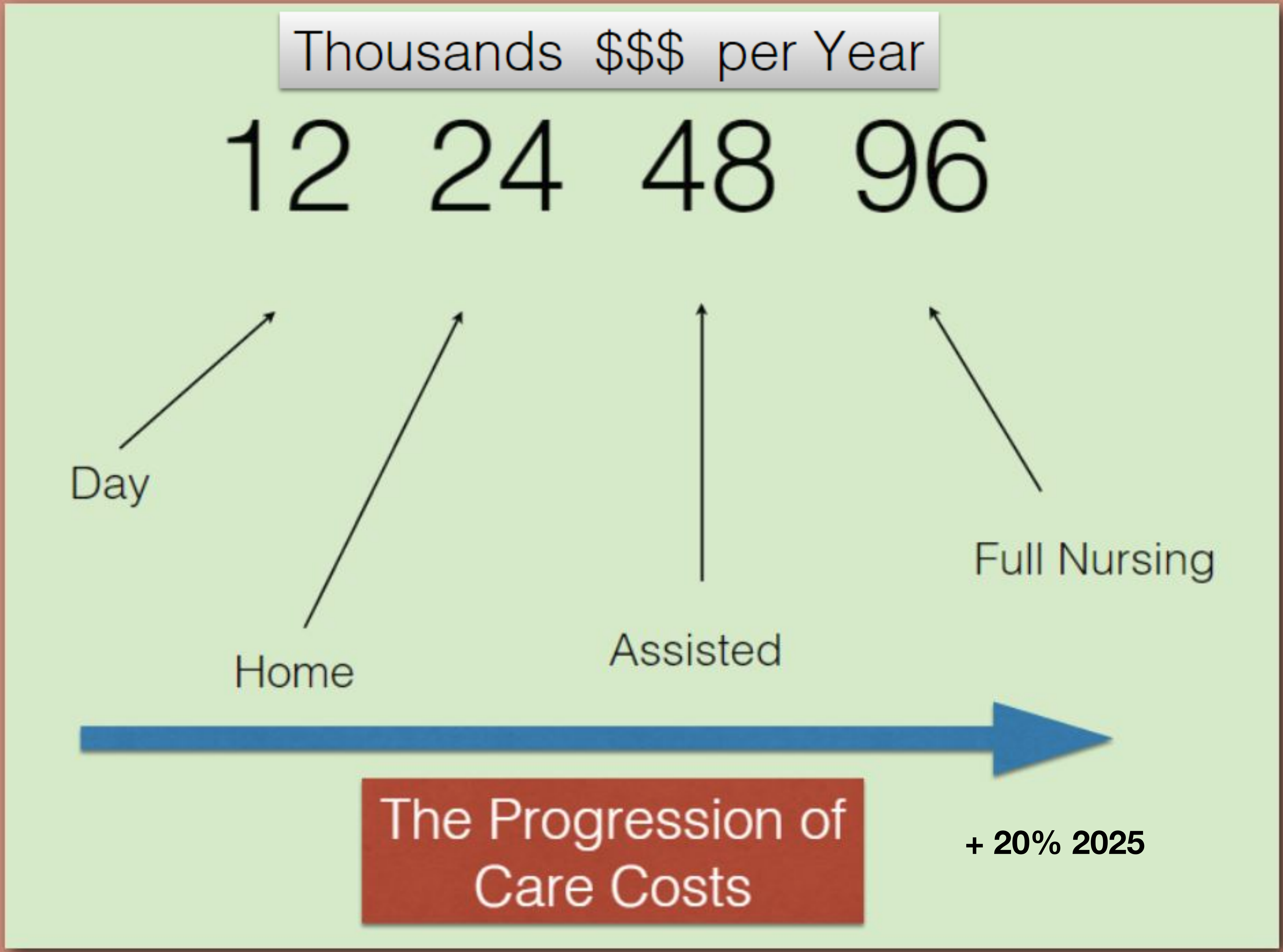
You may need those things to Protect your Family Wealth Capital

And maintain the well being and sanity of your family
due to other Eldercare Management problems (daily)

The Goal is : Preserve the Wealth, Provide the Care.
and Hire the Experts <u>to the extent you can afford it</u>.

STOP just growing Assets --- Protect Wealth from the Spending

Hedge against the Largest UnFunded Family Liability !


Thousands $$$ per Year
12 24 48 96
Day
Home
Assisted
Full Nursing
The Progression of Care Costs
+ 20% 2025

The Eldercare Predicament is a Reality Show No One Wants to Watch or Face

Parents

Now What ?

Daughter

Complicated - Many moving parts and details

Troubling - Rules and regulations - hard to navigate

Expensive - Costs can **ruin** the Future of your Family

At age 75 there is a 50% Risk of Dementia
It goes up from there

Most Alzheimer's patients are Otherwise Healthy

The Million Dollar Disease

What are the RISKS and Reality

People over 65 will have:
Arthritis and Dementia 50 % -Heart Disease 30 %

Top 5 reasons that cause need :
Stroke, Dementias, Arthritis, Injury, Vascular

How long will care be needed ?
Average is 2.5 years - 58% need longer
42% need 1 year or less (each time).
Progressive Alzheimers average is 6 years

How many years do you want to pay for?

Your ICA (Individual Care Account)

"The Default Option" Most often used

See You Next Week

Using Your Current Resources

Tax Savings Implications

Shopping For Plans

Nominal Risk Comparison

Who are you actually Insuring ?

Elder Care Couple
Age 60 to 85 = 30% risk

3 years Skilled care = $270 K/ $90K/year
Cost of LTC Ins to cover risk is $9000/year
Tax breaks can also lower cost are available
Indemnity Plans are more affordable

Auto Accident (non liability)
25 years = .001% risk

1 Bad Total Accident = $150K
Cost of Ins to cover risk is $1800 or $45K
No tax breaks

Residence Fire
25 years = .00001% >land

House Total Loss = $200K
Ins cost for $250K house = $2000/year or $50K
No Tax breaks

#1 Financial Advisor Recommendation is to maintain a large enough Portfolio to self insure for Eldercare

That is NOT a plan !

Max Credit Cards

At 28% Interest ???

Credit limit and payment problems !

Becomes a House of Cards real Quick

What the Hell, your going to die anyway !
It is done, believe it or not

Dumbell Award !!!

Real Estate Bridge Loan

Interest Rate 18%
Time Limit - 6 to 12 Months
Fees - Legal and transaction costs

Hard to find for Eldercare temporary needs
to bridge sale of home
6 Month cost @1.5%/Mo is $9000 plus Fees
Penalties if house not sold in 6 Mo.

Reverse Mortgage

To Spring 80% of your $200K home Equity
<u>it will cost you $14 Grand</u>

Must be over Age 62

You still must pay Insurance, Taxes and Maintenance costs

*

You can set up a Reverse Mortgage to fund a 10 pay LTC Insurance Plan

Retirement Plan Cash OUT

No Tax advantage here !

Turn your IRA - <u>Individual Retirement Account</u> into... <u>in effect</u>, Your ICA - <u>Individual CARE Account</u>

Pay Taxes and a 20% Penalty under age 55

Funding your Taxable Care Account ?

Loan if 401K allows

May Pay Penalty and ... Taxes

Cash in Savings and CDs

Credit standing problems with other deals for collateral

Penalties for early withdrawal

May alter standing with the bank for Mortgage, etc.

Sell Your Investments

You have No Contract - Risk is on You

Tax Implications from being in a higher tax bracket - from huge increase in Income receipt

Capital Gains time restriction violations

t72 Rule won't help

Down Market ! After a 40% (2008) drop you sell LOW and incur Taxes to boot

You'll Need a Contract With Eldercare Coverage

Loan on Life Insurance

Permeant Whole life or Universal life with Cash Value

Low interest, tax free, quick and easy

Loan of Cash Value reduces the Death Benefit

Must be paid back as scheduled or Policy may lapse with Taxes

Value likely to disappear Quickly leaving heirs nothing

Sell Life Insurance Policy

Your Heirs Loose

A company pays you for the right to collect <u>your</u> Death Benefit

They become the Beneficiary and take over the premium payments

Not a Cash Settlement or Policy Loan or Structured Settlement

Amount depends on health.
The sooner Buyer thinks they can collect the more the sale will bring

Known as Viatical Settlements

Veterans Administration Aid and Attendance Benefit

Monthly Benefit
$2051 single
$2431 Married
$1318 Widow

Means Tested and Limited Availability

To Qualify :
Veteran with creditable service or spouse

Assets below $80K
Income below $20K

Few Veterans Homes (low Q)
Long wait lists

Corporation Owners

* Set up Tax free Payroll LTC Plan

Your business can buy LTC coverage for your Employees

And... you are an employee

The Time Will Never Come Until it Does

Consider :

Have the conversation with Family and decide when and with whom to shield your assets

* Once diagnosed with a chronic condition - coverage is hard to find and costs soar

When will the 5 year Medicaid Look Back <u>apply to you</u> ?

Your ability to understand complex matters will decline rapidly after age 65

Either protect your money with a Plan or shield it to qualify for Medicaid

Some Help - Pension Protection Act 2006 ... 2010

Changes in Tax law and Rules on Exchanges

Cash Value Exchange Between Most Plans

Prior Gains Tax Free if used for LTC

BUT... Complex rules !

Eldercare Longterm Plans Have Evolved

There are now More Features, Flexibility and Cost Options
The Protection Puzzle is Now More Solvable

What You Have, Need and Can Qualify For is Now an Easier Question

8 A Rated Providers offer a variety of types of protection Plans

Age - Available from age 35 to 85 depending on the plan and offering

Costs - Range from single $50 K to 10 or 20 Pay and Couples Discounts

Care Flexibility - From Full nursing to Home and visit/day Care

Cost Protection and Inflation Options % No increases

Health Qualification - From Phone Interview to MIB to Full Doctor

Other Benefits - Equipment and Home Modification

Tax Benefits - Deductions and transfer of asset savings

Ease of Protection has Truly Evolved from the 1980s

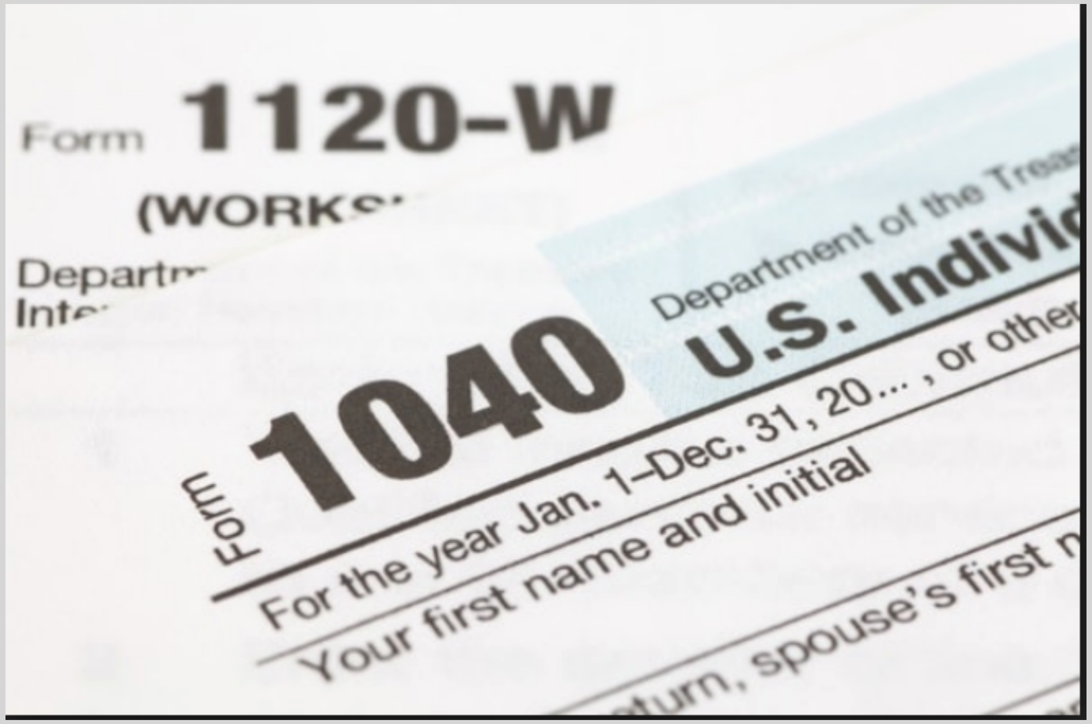
Uncle Sugar Wants to Help You Fund Eldercare

Premiums for Elder Insurance are deductible using the Medical deduction 10% this year

Up to Age 60 = $1560

Age 60 plus = $4000

No Tax Bene for Life Ins Riders



Benefit of Qualified Plans

Own a C Corp ?

LTC for your Employees is fully deductible

S and LLC Corp limited to Age table

RE-Porpoise Some Assets to Cover other Risks

Existing Financial Assets can be Exchanged for a <u>New Purpose</u>

HyBrid Life Insurance

Not Qualified LTC Plans

Life LTC Example

Pay $150K over 10 years
CNX, get $120K
$3K a Year- op costs?
Expensive Term Ins?
And the Death Bene was
Just $150K

Types of Hybrids

Universal Life
Variable Life
Fixed Annuity
Variable Annuity

Permanent Life Insurance with a Linked Benefit LTC Rider

Rider Accelerates the Death Benefit to pay for Eldercare

Death Benefit is reduced by Payout

No Tax Benefit on Premiums

"10 and Done" Premium Plan available - avoids premium increases

Has Surrender charge if Cancelled

Asset Based LTC Plans

Offered by large "A" rated companies and have unique flexibility

No health exams few health Questions, <u>can be issued to age 85</u>

<u>Existing gains</u> can be washed for taxes if used for Care Plans

Your Lump Sum Funding can increase 2-5 times more for LTC need

Essentially a high deductible Plan
that <u>returns unused funds</u> to you or yours

Benefits can be used by couples

A 2% (approx.) Interest rate is credited each year

Company rents your Lump Sum

1035 Transfer of Non-Qual Life or Annuity

Ways to Repurpose Existing Non-Qualified Annuities or Life Insurance

Gains are WASHED for TAXES when Used for Eldercare - No tax on realized GAINS

2006 Pension Protection Act became Law in 2010 to allow Tax Free Assets to pay for Eldercare

LOOK !!!

It is just an ADDED Benefit to a new Platform

Provided by Large "A" Rated Companies

Few HEALTH Questions

No HEALTH Exams

Resources for Eldercare Plans

All rated "A" or Better With Comdex Scores above 95 and 100 Yrs old

OneAmerica Financial	800-537-6442
Nationwide	855-259-2729
securian FINANCIAL	833-810-8260
Lincoln Financial Group	800-847-1485
Global Atlantic FINANCIAL GROUP	866-645-2449

All Have Plans Available to Age 70 or 85

Limited Health Requirements

Can Be Tailored for Affordability

They are Contracts designed for you

I get no commission I am Retired 20 years

Traditional LTC Insurance

There were Dozens of Companies 10 years ago

Only 8 Active Companies Now

Large Premium increases are common

Most Financial Advisors don't offer it
or they deal with just one company

Get early <u>before you are diagnosed</u>

The older you are the higher the premiums

Both you and spouse can be on the same policy

*** Your Kids can own and pay for the policy on YOU

There are Federal Tax savings incentives

There are different benefits from each company

You can have more than one type Eldercare Funding option
Policy

State Partnership LTC Plans Offered by Leading Providers

State Programs that Cooperate with Welfare MedicAID

Allows You to Shield Your Family Capital From MedicAID by the amount your plan has paid for your care.

You can keep "that much" of your Nest Egg !

* **Benefits and costs are comparable as well as Tax incentives**

But Inflation protection is required

Reciprocal agreements with 36 states

You can still move to the Kids State ! ←

Own Your Future
Texas Long-Term Care Partnership

Planning For Your Long-Term Care Needs with a Texas LTC Partnership Plan

~~AmericanLongTermCare.org~~
Lou Annacone

Medicare Supplemental Opportunity

Change type of Insurance to allow cash for Eldercare

Med Sup Plan F at age 75 can cost $ 400 or more per Month

Medicare Advantage Plans cost far less and cover more

That's $5 thousand per year to use for Eldercare plans
And can work as a savings account if not used

Inheritance Preservation Options

Your Kids Can Buy a Plan on <u>you</u> to actively Protect T<u>heir</u> Inheritance

The kids can own a plan with you as Beneficiary

LTC, Life Hybrids and Asset Based Plans are available for this purpose

The Kids may get a tax break (asYour Guardian)

SHORT TERM CARE Insurance
A Real Alternative

Aetna Has it

42% of LTC claims
are less than
1 year, 1st time

Easier to Qualify

Lasts 365 Days

Less than Half the Cost of LTC

Ideal for Women who are Alone

Lacks Tax Advantage

The Swiss Army Knife

Annuities and Trusts are Often used to Solve Eldercare Problems !

There are 3 Annuity Types

There are 7 Trust Types

Medicare Disability Trust/Annuity

Medicaid and QIT Trusts   No 5 yr Look Back Help

Charitable Annuity Remainder Trust

Community Spouse (1/2 a Loaf) Annuity)

Eldercare Lawyers understand this stuff

Your Home

Is Your home worth $300K? Where will your Spouse live?

If you lived there for 30 years how much do you need to spend on up-grades to make the sale.

What will the market be?

Will Millennials want it?

Gift it to Your Kids to avoid Look back

Your Kids could buy it and Lease back to you

$300K Sale price
- $30K Upgrades
- $18K Agent Fee
- $5K Move cost
= $247K Left

Skilled Care cost
1 year $96K
Plus Cost of
Extra Hires

Set up MedicAID Look Back Protection

Welfare MedicAID is Federal $ / State run Program

Get Assets Out of Your NAME to Qualify

MedicAID pays for 50% of all US Eldercare but you'll have to spend your own money and become impoverished to Qualify.

To Qualify you must be BROKE BROKE BROKE

Long Wait lists for Home Care benefit (years)

Facilities may be far from Family
and not 1st class

Shed your ASSETS 5 years AGO

The Trick is Knowing
When exactly you Will need Eldercare ?

Financial Eligibility for MedicAID LTC

<u>If the State Pays, You Must Obey</u>

- Very Complex Rules and Calculations
- There are Income and Asset Limits

  But there are Exemptions from them.
- State pays only if Rules are met ←
- Income of Person on MA pays for care and Medical Insurance - $60 allowance
- State allows for Community Spouse living and maintenance expenses
- Estate Recovery can pay State back

Welfare MedicAID - The Five year Reality

~~2028~~ **Now 2029**

Plan or be forced to Qualify at Crisis time

<u>Different Spouse or No Spouse Rules</u>

Spouse can live in house and retain $115K
plus an Annuity (SPIA)to provide monthly expenses.

If No Spouse, forced to <u>spend down assets</u> to Qualify

Your savings for Retirement and other Assets will have to be used <u>first</u> before you can Qualify

You need to think about <u>Protection</u> from spending <u>not Growth of assets</u>

Without a Plan, this snake will bite you bad !

Pray or Prey ?

Rules for Eldercare Action

1. Start Early - in 50s or 60s - Not later than 70 years old
   To avoid Disqualification for Health or Dementia

2. Have the "CONVERSATION" with Family and Parents

   WHO will the **CAREGIVER** consequences fall on ?

3. Assess the Problems, Choices and Affordability of Care

   Learn about Supports, Types, Help, and Facilities

4. Make a Plan for Eldercare and THEN decide how to fund it
   Plan first - THEN choose from ways to FUND it

5. There are many ways to fund Eldercare: not just LTC Insurance

Pray you won't need it or be Prey for the Eldercare Industry

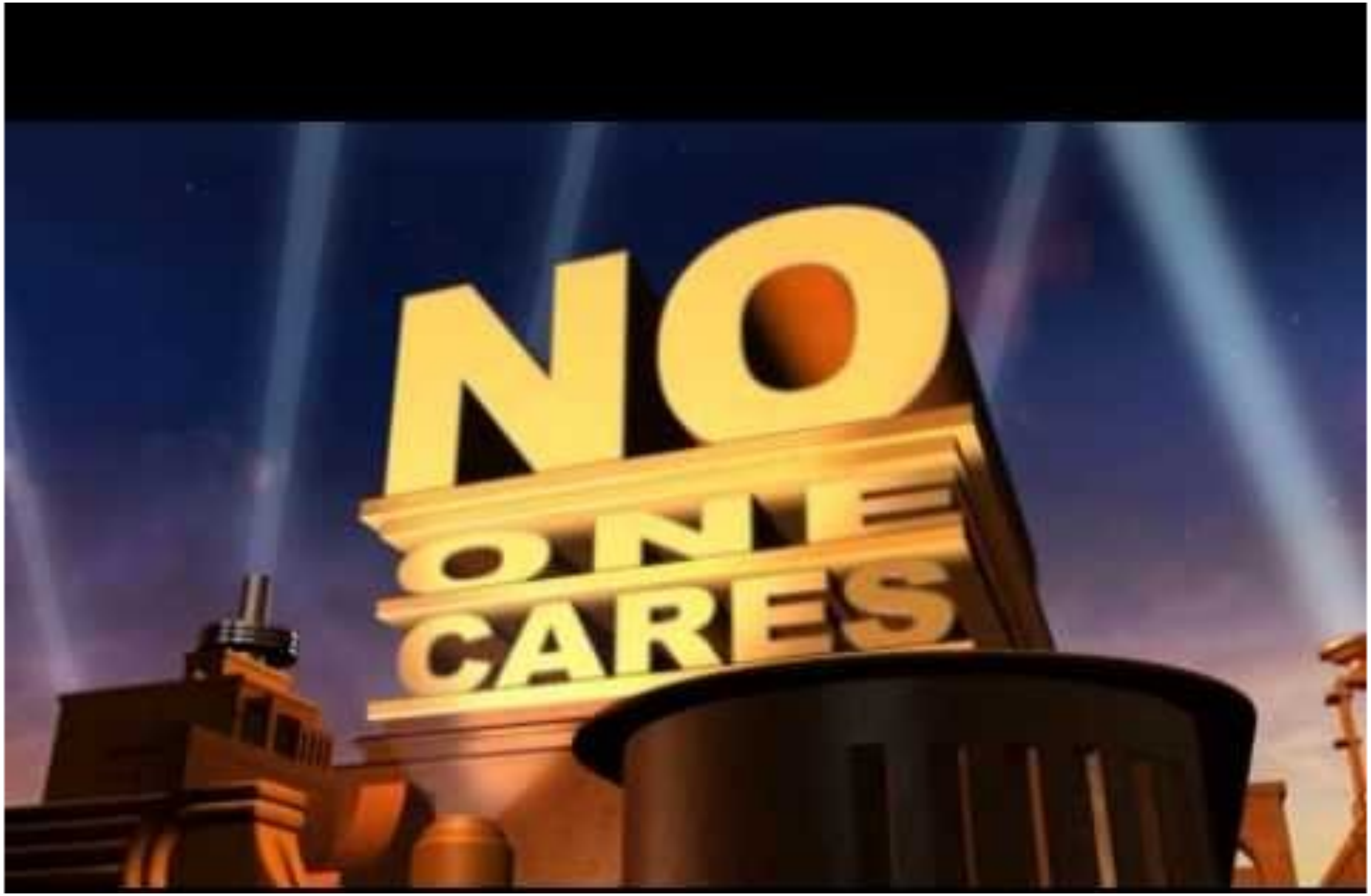
What Type of Professional Help Do You Need?

Insurance Agent
Product based, May be a Financial Planner

Financial Planner
Creates Plans for Long Term Financial Goals

Estate Plan Attorney
The distribution of Assets after Death

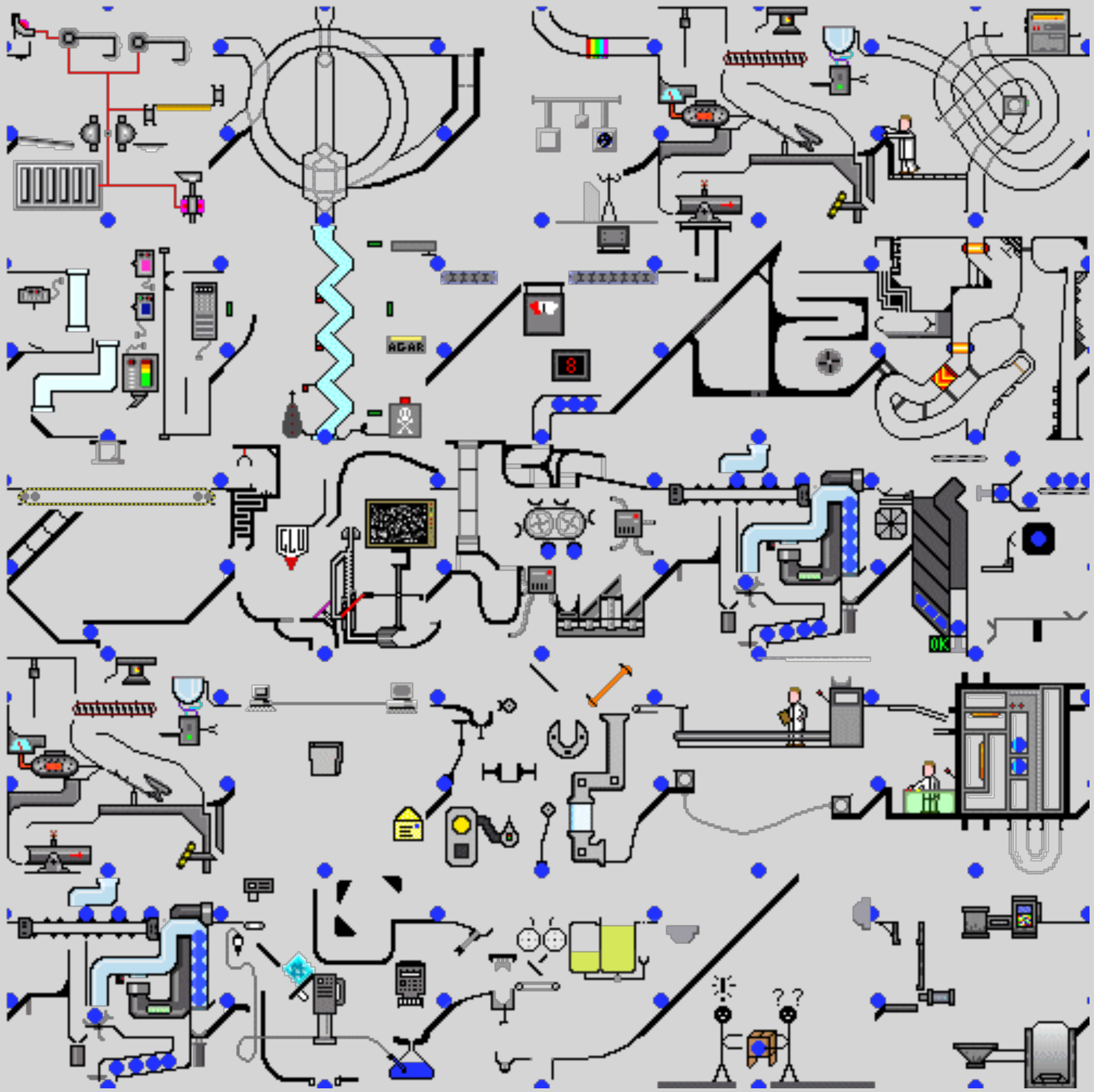
Eldercare Lawyer
Preservation of Assets and Income <u>while alive</u>



But You !

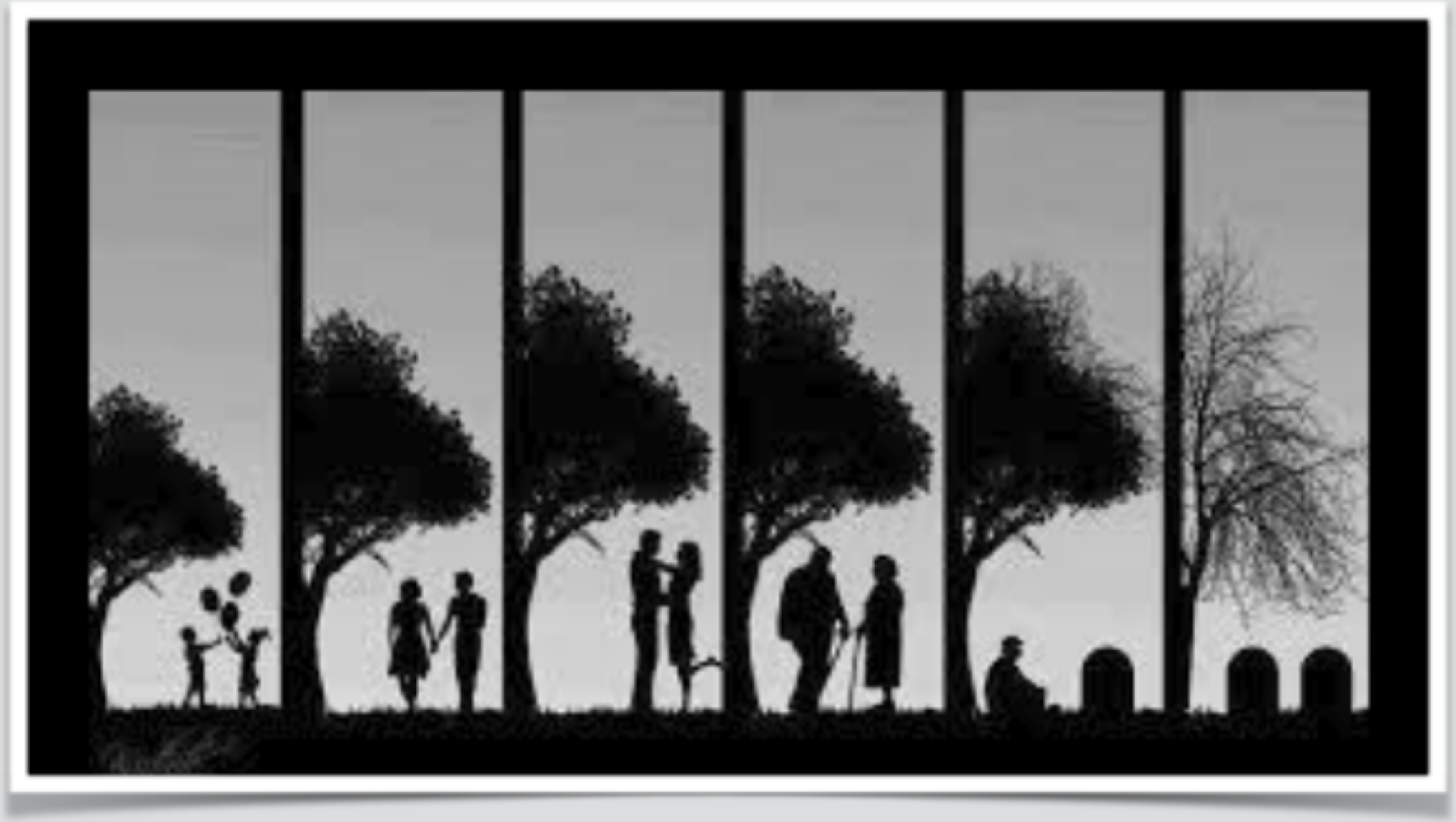
COMPLEX ?

Start



End

Unbelievably !



DearOldFolks.com

A Not for Profit Unbiased Educational

Thanks for listening.
I hope it's a help for you.

Preserve Family Wealth Capital

WHAT CAN YOU DO TO PREPARE
and Avoid Desperation and Crisis ?

?

Take Care of Your Family Emotionally, Spiritually and Financially

About Family and Dignity

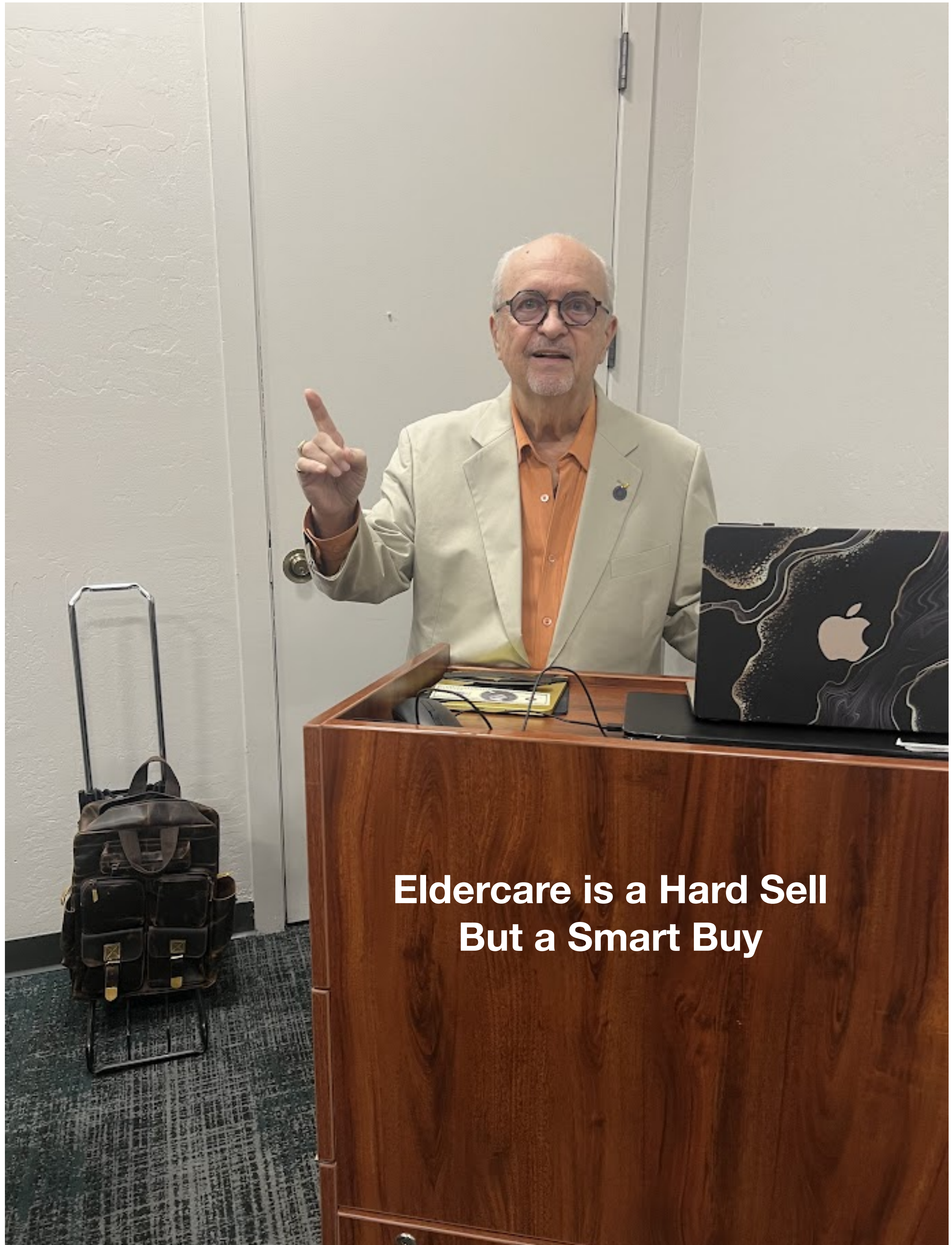
The Control of your Family Assets even if few!

Passing down the Family Money

The best Quality Eldercare you can afford

The Impact on Your Family and... Their Family's Future

Avoid the crisis by early Action


Eldercare is a Hard Sell
But a Smart Buy

Reasons Planning is Avoided

It Just Plain WON"T happen to ME !

Don't have the time or info

Don't tell me anything I don't want to know

"When I need help someone will do it"

just a problem for "old" people

No money for advisors or lawyers

Advanced Directives

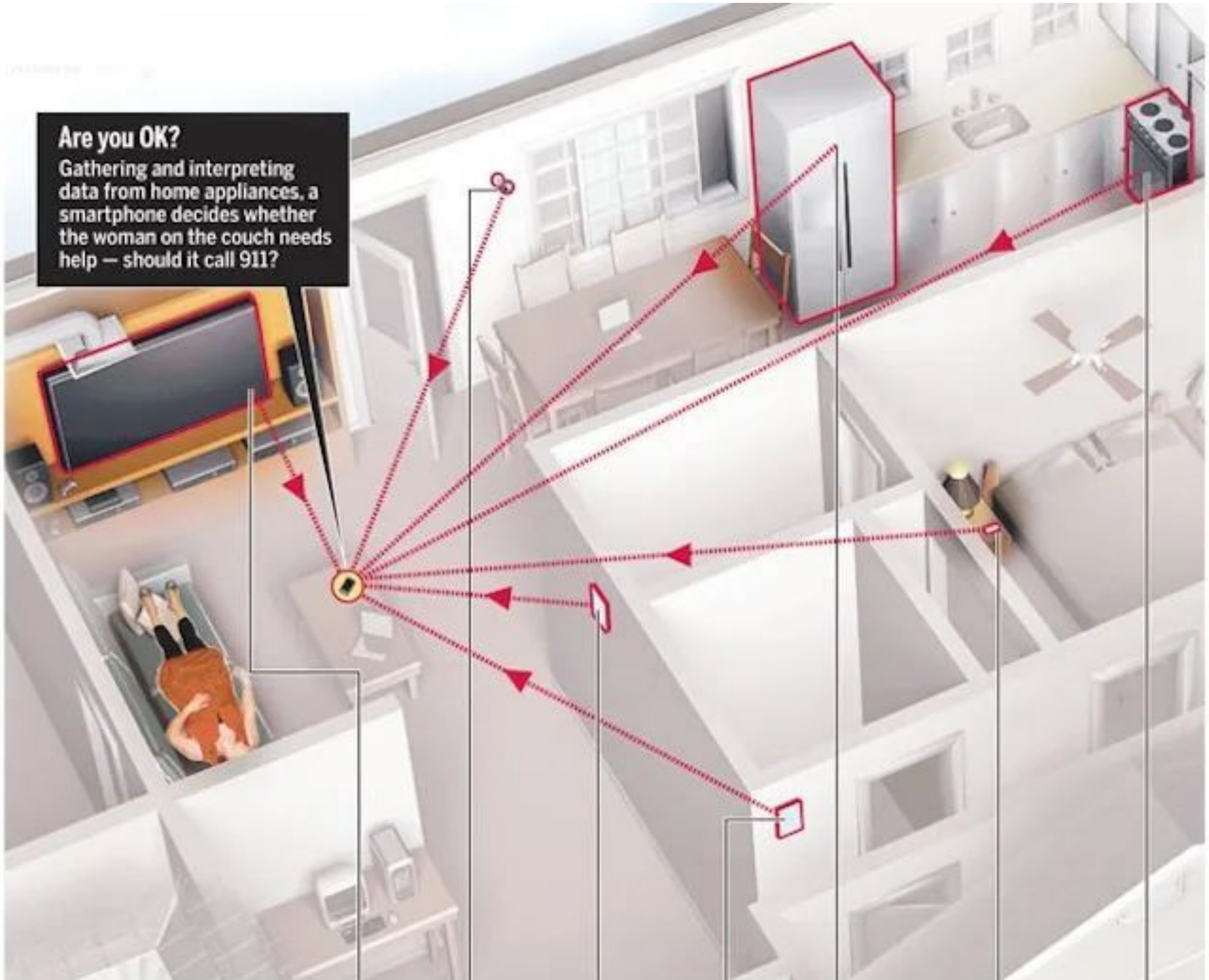
The 3 most important

Living Will: Directs Dr. when you can't

Out of Hospital DNR: 911, NH or ER

Medical Power of Attorney: Choose Who

Flash ... No Lawyer required



How appliances could save a life

Experts say smart gadgets will one day sense whether people need help and automatically assist them. How a system would work using a smartphone and smart appliances.

1 TV
She isn't getting up to watch her favorite television show.

2 Security camera
She might be sleeping, but she hasn't moved in 24 hours.

3 Audio sensor
She sounded weak and disoriented yesterday.

4 Motion sensor
She's been walking slower the past few days.

5 Refrigerator
She hasn't eaten well for weeks.

6 Pill box
She stopped taking her medications two days ago.

7 Stove
She left one of the burners on.

What an appliance or gadget could detect

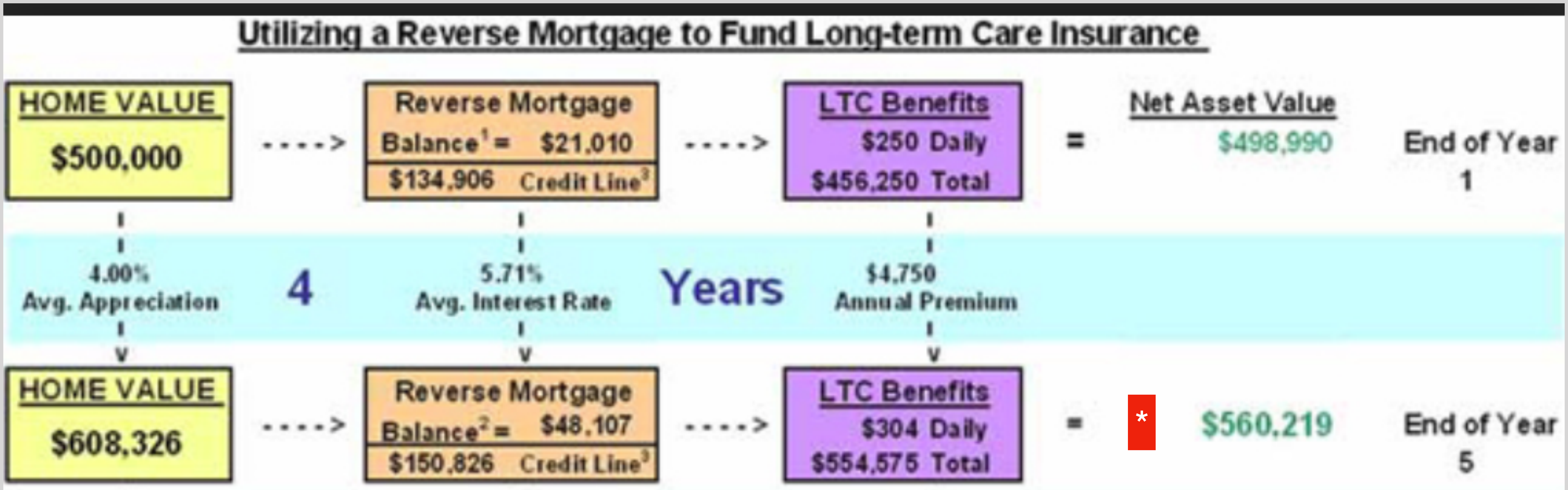
Source: Mercury News reporting

ANDRÉA MASCHIETTO AND DOUG GRISWOLD/MERCURY NEWS

Reverse Mortgage Example

Current Home Value	$300,000
Available Loan Amount	$144,300
Total Net Settlement Costs	* $13,688
Available Loan Proceeds	$130,612
Less Current Mortgage	$35,000
Net Proceeeds	$95,612
Renovate their Kitchen	$15,000
Leave the remaining balance in the line of credit for unexpected expenses	$80,612

ReverseMortgage can be set up to Fund LTC Insurance



Today you have many Eldercare choices

Tomorrow you may be in a desperate crisis !

Too late to qualify for Care or save your Family Capital !

Eldercare Denial