



What Every Business
Needs to Know About

WORKSITE

**Long Term Care
Insurance**




Long Term Care: An Executive Summary

Long term care (LTC) is extended care that consists of help with activities of daily living (such as dressing and bathing) and/or care needed due to severe cognitive impairment (such as Alzheimer's). This care can be received in a home, assisted living facility or other type of facility such as a nursing home. The need for long term care can arise at any age, and the majority of Americans will require this care in their later years.

Since most of us will need long term care after retirement age, the topic of how to pay for LTC is necessary for smart retirement planning. For several reasons, including cost and insurability, the best time to look into purchasing LTC insurance is during working years.

In a recent survey of Americans ages 30-65, 77% of people agreed with the statement "I should know more about long term care insurance than I currently do."¹

¹ The Prudential Insurance Co. of America, "Long-Term Care Insurance: A Piece of the Retirement & Estate Planning Puzzle," page 10.



“About 70 percent of individuals over age 65 will require at least some type of long-term care services during their lifetime.”²

LTCI Closes a Gap in Benefit and Retirement Planning

Long term care insurance complements employee health insurance and disability insurance plans. Health insurance pays for medical care. Disability insurance replaces earned income lost due to disabling illness or injury. Only long term care insurance is designed to pay the cost of extended caregiving. Without a long term care plan, any retirement plan is at severe risk.

While we tend to associate LTC with old age, the fact is that LTC may be needed well before retirement, due to a variety of causes. If we acknowledge that long term disability can happen at any age, it's only logical that some of these disabilities will also result in the need for LTC.

“Forty (40) percent of people currently receiving long-term care are adults 18 to 64 years old.”³

² National Clearinghouse for Long-Term Care Information, http://www.longtermcare.gov/LTC/Main_Site/Understanding_Long_Term_Care/Basics/Basics.aspx

³ Ibid.

Awareness of the Problem Is on the Rise Among Employees

As life expectancy increases and the baby boomers age, more and more employees are witnessing and experiencing parents, grandparents, relatives, friends and neighbors needing long term care. Many of your employees may, in fact, already be caregivers, since 59% of caregivers are employed either full or part time.⁴

Opportunities for long term care planning or obtaining insurance before health declines are often missed. Because most people don't think of or try to address the issue of LTC until they or a family member need care, people fail to take advantage of opportunities to implement an LTC insurance plan. Information at the workplace, combined with experience or knowledge of caregiving, can make it easier for employees to plan for their own future long term care needs.

Long Term Care is Expensive

Costs can vary dramatically depending on location. These figures are national medians:⁵

Home Health Care	\$19/hour
Assisted Living	\$3,261/month
Nursing Home Semi-Private	\$5,790/month
Nursing Home Private	\$6,390/month

⁴ AARP Public Policy Institute, "Valuing the Invaluable: A New Look at the Economic Value of Family Caregiving," June 2007.

⁵ "Executive Summary Genworth 2011 Cost of Care Survey"
http://www.genworth.com/content/etc/medialib/genworth_v2/pdf/ltc_cost_of_care.Par.85518.File.dat/Executive%20Summary_gnw.pdf



Misperceptions Abound and Employees Acknowledge They Should Know More

Despite growing awareness of the problem of long term care, there is generally a lack of understanding about how to pay for this type of care. As we said earlier, in a recent survey of Americans ages 30-65, 77% of people agreed with the statement “I should know more about long term care insurance than I currently do.”⁶ Employers who provide retirement savings and insurance solutions are in a unique position to similarly address employee concerns and needs about long term care.

More than one-third of adults mistakenly believe that government programs such as Medicare and Medicaid and private health insurance will pay for any future long-term care expenses.⁷

LTCI Benefits for Employers and Workplaces


Discounted Premiums/Easier Underwriting

LTC insurance can be provided by an employer under a group plan or through individual policies. Either way, your employees can benefit from premium discounts and/or underwriting concessions afforded to them by the purchasing power of your company. These benefits may also be extended to spouses and other family members of employees.

⁶ The Prudential Insurance Co. of America, “Long-Term Care Insurance: A Piece of the Retirement & Estate Planning Puzzle,” page 10.

http://www.prudential.com/media/managed/Consumer_Research_2011.pdf

⁷ Ibid., page 6.



The benefits of LTC insurance can be offered to both small and large employer groups.

Portability

Long term care insurance policies are portable. Employees can continue coverage by making premium payments, even if they no longer work at the place where they purchased their coverage, usually retaining any workplace-related discount.

Tax Advantages⁸

Employer-paid premiums are 100% tax deductible. Premiums paid are excluded from employees' gross income.

Self-employed persons, partnerships, LLCs, Subchapter S Corporations, and C Corporations can deduct 100% of premiums paid for employees, though deductibility for owners is limited.

Benefits from LTC insurance are almost always tax-free, regardless of whether the premium was deducted.

Many states also offer tax credits or deductions for LTC insurance premiums.

Cost-effective

LTC insurance can also be brought to your workplace at little or no cost to your company. Ask about the benefits of contributing to employees' premiums so that you can make the right decision regarding company contributions.

For information on federal as well as state-by-state tax breaks and other incentives, ask for a copy of our "Tax Breaks and Incentives Guide."

⁸ Legal and tax information is an interpretation of current law and not intended as legal or tax advice. Consult your legal and tax professionals.



Flexibility

Workplace LTC insurance plans are flexible, allowing employees to choose plan designs that best suit their needs and budget.

LTCI Offers Key Person and Carve-Out Opportunity⁹

Owners/shareholder employees, key employees and their spouses/dependents can benefit from private LTC insurance policies offered on a carve-out basis. Businesses can reward a group of employees by purchasing long term care insurance for each member of the group.

Employer-paid premiums are 100% deductible as a business expense (limits on deduction apply to self-employed individuals and people who are taxed as such).

Limited-pay policies can be especially attractive in carve-out situations. Limited-pay policies allow for a *paid-up long term care insurance policy* after premiums have been paid for a specified amount of time.

⁹ Legal and tax information is an interpretation of current law and not intended as legal or tax advice. Consult your legal and tax professionals.



Next Steps

Turnkey Solutions and Enrollment

By working with a long term care insurance specialist, the burden of administering a program and educating employees is lifted.

We are experts at bringing solutions to the workplace. Through our membership in the National LTC Network, we have a presence in all 50 states, and are ready to help you choose and implement the right program for your workplace.

Contact us for a consultation about bringing long term care insurance to your company.



In a recent survey of Americans ages 30-65, 77% of people agreed with the statement **“I should know more about long term care insurance than I currently do.”**

Increased awareness of the importance of long term care planning makes this a logical time for employers to consider a private long term care insurance plan.