

# Long Term Care: Product Type Comparisons



|   | Traditional LTC Insurance   | Hybrid Life Insurance with LTC  | Life Insurance with LTC Rider   | Annuity with LTC Rider  |
|---|---|---|---|---|
| Highlights  | LTC insurance policy providing LTC benefits (no death benefit or surrender value)   | <ul style="list-style-type: none"> <li>Life insurance policy which can accelerate the death benefit for LTC expenses; Death benefit is reduced by LTC benefits paid out.</li> <li>Base policy is has a lower death benefit to premium ratio, focusing on LTC benefits and return of premium feature</li> <li>Simplified underwriting process</li> </ul> | <ul style="list-style-type: none"> <li>Life insurance policy which can accelerate the death benefit for LTC expenses; Death benefit is reduced by LTC benefits paid out</li> <li>Base policy is a traditional life policy with high death benefit to premium ratio</li> </ul> | <ul style="list-style-type: none"> <li>Annuity policy which accelerates annuity value and additional LTC benefits ("extension of benefits rider") each month for LTC</li> <li>Unused cash value payable to the beneficiaries upon death</li> </ul>  |
| If your client needs long term care                     | Policy provides a daily/ monthly benefit for the benefit period selected  | Policy provides a monthly benefit as a percentage of the death benefit until the death benefit is exhausted, or for life if that option is purchased  | Policy provides a monthly benefit as a percentage of the death benefit until the death benefit is exhausted   | Policy provides a monthly benefit until the annuity value and additional rider benefits are exhausted   |
| If your client needs cash                               | No cash value   | Policy cash values are available as withdrawals or loans, reducing the death benefit and the LTC benefit. Policy also guarantees the return of premium if surrendered   | Policy cash values are available as withdrawals or loans, reducing the death benefit and the LTC benefit  | Annuity distributions can be taken, reducing the LTC benefits available   |
| If your client never use the LTC benefit, what happens? | No benefits other than LTC are provided   | Heirs get 100% of the death benefit initially purchased tax free, less cash withdrawn for any purpose   | Heirs get 100% of the death benefit initially purchased tax free, less cash withdrawn for any purpose   | Heirs get the annuity value less any distribution and less the income tax on gain   |
| How can the premium be paid?                            | Single pay, 10 pay, 20 pay or life pay  | Single pay through 10 years, 20 pay or life pay; most commonly single or short pay  | Single pay, life pay or any term of payment desired   | Single pay, two pay or four pay   |
| Can the premium be guaranteed?                          | Guaranteed premium contracts not available  | Guaranteed contracts are available  | Guaranteed contracts are available  | Guaranteed contracts are available  |
| Are premiums tax deductible?                            | May be tax deductible for C or S corporate, self employed or for itemized medical expenses  | LTC extension of benefit riders may be tax deductible<br>No deduction of life premium   | No  | No; on annuity premium<br>Yes; some LTC extension of benefit riders may be tax deductible   |
| Are the benefits tax free?                              | Yes   | Yes; LTC and death benefit (may need LTC receipts)  | Yes; LTC and death benefit (may need LTC receipts)  | Yes   |
| Can the benefits be inflation protected?                | Yes   | Yes   | No; doesn't offer true guaranteed inflation benefit. May be structured to increase with death benefit.  | Yes   |
| Type of LTC Benefit                                     | Expense reimbursement or partial indemnity benefit optional   | Expense reimbursement, traditional indemnity (indemnity pays the entire monthly benefit regardless of actual expenses)  | Expense reimbursement, cash or traditional indemnity (indemnity pays the entire monthly benefit regardless of actual expenses)  | Generally, expense reimbursement  |
| Minimum and Maximum Benefits Available                  | Benefits from \$1,500 to \$15,000 per month. Benefit periods range from one year to lifetime  | Death benefits of \$50,000 to \$1.5M available. Benefit periods range from two years to lifetime  | Any death benefit up to \$5M can be accelerated between 1% to 4% per month for LTC  | Deposits from \$10,000 to \$500,000. Benefit periods range from two years to lifetime   |
| Client Profile  | <ul style="list-style-type: none"> <li>Clients who desire lowest premium for maximum LTC benefit</li> <li>Client who desire "partnership" asset protection</li> <li>Clients that may be able to deduct the premiums</li> <li>Client looking for flexibility in plan design</li> </ul> | <ul style="list-style-type: none"> <li>Clients looking to reposition an asset for LTC protection (single pay)</li> <li>Clients focused on LTC protection but still want some death benefit if they do not use LTC</li> <li>Clients looking for return of premium feature</li> </ul>   | <ul style="list-style-type: none"> <li>Clients who want some LTC protection but want to get as much as possible to heirs</li> <li>Clients looking for premium funding flexibility</li> <li>Clients looking to retain cash value</li> </ul>                                    | <ul style="list-style-type: none"> <li>Clients looking for return of premium feature</li> <li>Client that may have been declined for traditional LTC or life insurance</li> <li>Clients looking to reposition an asset for LTC leverage</li> <li>Client looking to exchange a non-qualified annuity with gains for a tax free payment in the event or an LTC claim</li> </ul> |



All guarantees are subject to the claims paying ability of the issuing insurer. Details of product used available upon request. Policy riders are available at an additional cost and may not be available for all products or in all states. Terms and conditions apply.

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| Pricing Details: <sup>*</sup>           | Traditional LTC Insurance    | Hybrid Life Insurance with LTC              | Life Insurance with LTC Rider               | Annuity with LTC Rider       |
|---|------------------------------|---|---|------------------------------|
| LTC Benefit Amount                      | Daily or monthly             | Monthly                                     | Monthly                                     | Monthly                      |
| Initial Death Benefit                   | None                         | Amount and guarantees                       | Amount and guarantees                       | None, annuity value only     |
| LTC Benefit Period                      | Number of years or lifetime  | Number of years or lifetime                 | Number of years                             | Number of years or lifetime  |
| Type of LTC Coverage                    | Type and how administered    | Type and how administered                   | Type and how administered                   | Type and how administered    |
| Elimination Period                      | Facility, Home Care and Type | Facility, Home Care and Type                | Facility, Home Care and Type                | Facility, Home Care and Type |
| Residual Death Benefit (if LTC is used) | None                         | Amount and guarantees                       | Amount and guarantees                       | Annuity value only           |
| Cash Value                              | None                         | At a selected year; guaranteed or projected | At a selected year; guaranteed or projected | Annuity value only           |
| Inflation Protection                    | Inclusion and terms          | Inclusion and terms                         | Not usually available                       | Inclusion and terms          |
| Premium Guarantees                      | Not available                | Vary by carrier                             | Vary by carrier                             | Vary by carrier              |

<sup>\*</sup>Do not compare product pricing unless these variables are included in the analysis.

| Sales Details:                              | Traditional LTC Insurance                         | Hybrid Life Insurance with LTC | Life Insurance with LTC Rider | Annuity with LTC Rider |
|---|---|--------------------------------|-------------------------------|------------------------|
| Products                                    | All traditional products - comprehensive policies | Whole Life or Universal Life   | Whole Life or Universal Life  | Annuity with LTC Rider |
| LTCi CE Certification Required <sup>1</sup> | Yes   | Yes                            | Yes                           | Yes                    |
| Partnership Qualified                       | Yes - plan design based and where state approved  | No                             | No                            | No                     |
| Issue Age                                   | 18-79 (varies by carrier)                         | Generally, 40-80               | 18-80                         | Generally, 40-85       |

<sup>1</sup> Some states require a separate LTC license in addition to life and health.

Contact the **Frontier Team** at **877.326.5235** or **INFO@FrontierBIS.com**



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