



Long Term Care University

Long Term Care University – Question of the Month

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Q: We read the Long Term Care University article that compares Traditional to Combination Life and Long Term Care (LTC) Insurance and prefer the Combination policy (or Hybrid). Can you please review the **State Life Asset-Care II (2)** Combination Life and LTC policy?

Overview. State Life Insurance Company Group is part of OneAmerica, an A.M. Best A+ rated, 140-year-old company. The State Life Asset-Care I (1) policy is a Combination Life and Long Term Care Insurance (also called hybrid or asset based) policy funded with **after-tax** dollars. The State Life Asset-Care II (2) is a Combination Life and Long Term Care Insurance policy funded with an **exchange from a nonqualified annuity** (an annuity funded with **after-tax** dollars) or an **exchange of the cash value of a life insurance policy**.

With Traditional LTC policies, premiums can be increased and you may not receive any benefits if you do not need LTC. With Combination LTC policies the benefits and premiums are guaranteed. The insurance company either: 1) pays you if you need LTC, 2) pays your heirs if you do not need LTC, 3) pays you and your heirs if you need a modest amount of LTC or 4) pays you a refund if you cancel the policy.

State Life Asset-Care II is Unique Because It Can be Paid with an Exchange from a Nonqualified Annuity or with an Exchange of the Cash Value of a Life Insurance Policy, and Provides Lifetime Benefits for You and Your Partner. Many consumers own annuities or life insurance policies that lack long term care benefits and that no longer meet their needs. State Life Asset-Care II allows you to pay for the policy by simply completing a tax-free exchange (1035 exchange) from a nonqualified annuity (an annuity funded with after-tax dollars) or a tax-free exchange of the cash value of a life insurance policy, to a deferred annuity. Then, from that annuity a withdrawal is taken annually to fund a 20-pay Combination Life and Long Term Care policy. These annual withdrawals defer taxes on gains. **Asset-Care II can insure you and your partner by exchanging an annuity or life insurance policy owned by only one of you.** You can also purchase a Lifetime benefit rider.

One of the largest long term care insurance companies reported that 50% of all claims dollars it has paid are due to dementia, including Alzheimer's disease. According to the Alzheimer's Association, 1 in 9 people ages 65 and older and about 1 in 3 people ages 85 and older have Alzheimer's disease. The duration of Alzheimer's disease is generally 4-8 years after a diagnosis, but can last as long as 20 years. Most companies mitigate their risks and increase consumers' risks by limiting coverage to a maximum of six or seven years of care. **State Life Asset-Care II offers lifetime benefits with an unlimited number of years of care and an unlimited dollar amount of total LTC benefits.**

State Life Asset-Care II Policy Options for Singles or Partners. The policy options include: Benefit periods of 25 months to **lifetime** (unlimited number of years); Inflation protection of none or compound: 2%, 3%, 4% and 5% compound; Elimination period of 30 days and 60 days; Return of premium; Use of 1035 tax-free exchange from one owner to one owner or owner and spouse; Second to die death benefit.

Numbers Speak Louder than Words. Let's look at a husband and wife that are each 60 years of age. He waits until he is 60 years old to buy his policy that covers both he and his wife. If purchased before age 59 ½, he could be subject to tax penalties. He transfers \$60,000 from his annuity on a tax-free basis and \$40,000 from his life insurance policy on a tax-free basis for the Base portion (first 25 months of LTC) and Continuation of Benefits portion (COB, lifetime benefits of LTC) of the policy – for a combined \$100,000 premium. With this combined one-time premium payment, they immediately gain a combined **tax-free \$10,014** per month LTC benefit (\$5,007 per month, per person) available for an **unlimited** number of months for LTC costs; literally a **lifetime** worth of LTC. They also gain a combined **tax-free \$125,199** death benefit when the second person dies, if the policy's LTC benefits are unused. Please see the chart below.

In 20 years when they are likely to need LTC at the age of 80, they will have a **tax-free \$8,876** per month LTC benefit (\$4,438 per month, per person) available for the first 25 months of LTC costs. Then they will have a **tax-free \$10,014** per month LTC benefit (\$5,007 per month, per person) available for or an **unlimited** number of months for LTC costs; literally a **lifetime** worth of LTC. They also have a combined **tax-free \$110,955** death benefit when the second person dies, if the policy's LTC benefits are unused. Please see the chart below.

State Life Asset Care II Combination Life and Long Term Care Insurance Policy						
Their Policy Year	Base Per Person Tax Free Monthly LTC Benefit	Continuation Per Person Tax Free Monthly LTC Benefit	Combined Cumulative Premiums	Per Person LTC Benefit Years	Combined Tax Free LTC Benefits	2nd to Die Tax Free Death Benefit
1	\$ 5,007	\$ 5,007	\$ 100,000	Lifetime	Unlimited	\$ 125,199
20	\$ 4,438	\$ 5,007	\$ 100,000	Lifetime	Unlimited	\$ 110,955
Total	\$ 8,876	\$ 10,014	\$ 100,000	Lifetime	Unlimited	\$ 110,955

Action Steps and Conclusions. State Life Asset-Care II provides lifetime LTC benefits, using funds from a 1035 tax-free exchange from an annuity or life insurance policy. Since premiums vary greatly based on age, health and marital status, request individualized quotes.

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