



Coastal Insurance Consulting, LLC



Case Study Series – Funding LTC with Qualified Dollars

Almost 70% of all individuals ages 65 and over will require some sort of long-term care services¹.

Prospective Client

Henry and his wife Helen are now nearing retirement at the ages of 65 and 64. Henry has accumulated \$1,500,000 in his qualified 401k account for retirement. Helen was fortunate enough to not have to work but still wants to secure LTC coverage to protect their family from self-funding for care.

OneAmerica presents a unique strategy in the LTC market with their ability to transfer qualified dollars from an IRA to fund their Asset-Based LTC Whole Life product. Furthermore, the IRA transfer from one individual account can be used to fund a JOINT LTC contract!

What are your client’s plans for their qualified money and when will they execute? Do they believe tax rates are on the rise or will they decrease in the future? If your client went on claim today, what asset would they liquidate first?

Solution

In this example, Henry and Helen are past age 59 ½ so they now have access to their qualified dollars penalty free.

Think about this strategy as a structured liquidation of a qualified asset.

Instead of incurring the total tax implication on the full transfer amount at once, this strategy spreads out the tax burden over a 10-year period.

Henry transfers \$300,000 from his qualified retirement savings into OneAmerica’s AssetCare product. The total qualified dollar amount is bonused at 10% and is applied over a 10-year duration; clients will receive a 1099 every year premium is applied.

With the \$300,000 transfer, Henry will provide himself and his wife with an initial LTC monthly benefit of \$7,178, which inflates to \$12,965 at ages 86/85, for a total benefit duration of 5.5 years.



Before your next client meeting, be prepared to advise an appropriate estimate for future monthly expenses to cover a long-term care event by using the [LTC costs calculator!](#)

A+
(Superior)
Rated by A.M. Best

95

Comdex score

Not for use with the public.

¹ <https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>, Last Modified: 10/10/2017

Coastal Insurance Consulting, LLC provides products, marketing and underwriting support for financial advisors and insurance professionals.