



The LTC Navigator Kit

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The Advisor Activator

Who are Good Prospects?

- People: 45-65 years old
- Homeowners
- Middle class and up
- Working, not yet retired
- People open to being educated
- People who have been exposed to LTC issues by family or friends
- Family oriented people; married with children and/or grandchildren



What:

A properly designed LTC insurance plan provides funding and support for your clients family should they ever need extended care. The plan you design is based on your clients goals and resources and is customized for you.

Why:

The commitments your clients made to their families carry a price tag. They probably have earmarked funds to pay for those commitments. Without a proper extended/LTC plan in place those plans could be destroyed if they need extended care. How would that make them feel?



Why People Buy LTC... and Why They Don't

We have done the research with our carriers to help you understand what a typical buyer looks like. **Good News: They strive to educate themselves and are ready to learn more from you!**

What we found out:

- **Ready to Learn** | Most people surveyed admitted they aren't very knowledgeable about LTC. Some confuse it with long-term disability insurance. They describe LTC as having many moving pieces. They are concerned about what's in the "fine print." They are uncertain how to evaluate what plan or features they should select.
- **How They Learn** | Typically, it begins by talking with family and friends or independent research; reading online, newspapers, magazines and brochures.
- **What they Want** | When people say they want to be educated, they don't mean education at the time of the sale. Instead, they are looking for neutral venues (think educational seminars) where they can learn about LTC. Places where a salesperson can present information in a non-threatening way. They don't want to be sold.
- **How We Can Help** | Most people recognize they need help finding an LTC policy that is right for them. For some, the decision-making process was lengthy. Others said it took a nudge from their advisor to move them to act. LTC is a planning process, not a transactional move.

55% of LTC buyers surveyed said they made the first contact with an agent.

- **Bottom Line** | **They are waiting for someone to approach them!** And while many of the non-buyers said they find the concept of LTC intriguing, they wonder why no one has approached them about it.

How can this help you? Use this to find the right people to talk to about LTC. Use this information to guide them through the education, decision-making and purchase process. Remember to explain LTC on simple terms & focus on them. LTC is a process - not a one-appointment sale.

Who is a good prospect?

- Age 45 to 65
- Family oriented, married with children / grandchildren
- Working, not yet retired
- College educated
- Living in a populated area
- A homeowner
- Middle class and up
- A "planner" who owns life insurance and other conservative investment products
- Exposed to LTC issues by family or friends
- Open to being educated

Extended Care Options

SELF INSURE THE RISK

What is it?

Client plans to self insure. They may feel that they will never need coverage, have assets to cover the risk or just don't want to think about the potential situation.

+ PROS +

- No Premiums
- Potentially No Cost
- No Medical Qualification

- CONS -

- Significant Out-of-Pocket LTC & Expenses
- Potential to Spend Down Savings
- May Need to Cancel Commitments
- Family Must put their Life on Hold

Why Clients Choose to Self Insure:

A few possibilities; because they don't want to think about the potential need, they don't want to pay premiums, they think the government will pay, they may think they can't qualify due to health, they don't want to paying for something they may never use. "Use it or lose it" is all they know.

TRADITIONAL LTC

What is it?

Traditional LTC Insurance is a contract that pays a tax free benefit if two of the 6 Activity of Daily Living's (ADL)¹ or cognitive ability are impaired. The policy will provide daily or monthly benefit from a "pool of money."

+ PROS +

- Maximum LTC Benefit
- Asset Protection
- Marital Discount (10-30%)
- Shared Benefits for Couples
- Survivor-ship and Joint Waiver of Premium
- Inflation Protection
- All Levels of Care
- Premiums May be Deductible
- Access to Care Coordination for Family

- CONS -

- Possible In-force Rate Increases
- Must Medically Qualify
- Possible "Use it or Lose it"

Why Clients Choose Traditional LTC:

The clients want to protect their assets, keep their financial commitments, and shift much of the LTC risk. This is typically the lowest cost entry to LTC insurance. Clients can transfer existing annuity policies to fund transitional LTC.

¹ Six standard ADLs are bathing, dressing, toileting, transferring (moving to and from a bed or a chair), eating, & continence

Extended Care Options

LINKED BENEFIT/HYBRID/ASSET BASED LTC

What is it?

A life policy that provides a leveraged LTC benefit ranging from two to unlimited years. Two of the six ADL's or cognitive impairment are required.

+ PROS +

- 100% of Return of Premium Possible
- More Flexible Underwriting
- Inflation Protection
- Moderate Death Benefit Leverage
- Simple to Understand
- Guaranteed Benefits
- Single and Flexible Premium Payment Periods
- Trading Death Benefit for Leveraged LTC Benefits
- All Levels of Care Included
- Access to Care Coordination for Family
- Cash Reimbursement/Indemnity Benefits

- CONS -

- Mortality Health Issues can Disqualify
- Higher Cost age over 65
- May be Paying for a Death Benefit that is Never Paid due to LTC Usage

Why Clients Choose Linked Benefit/Hybrid/Asset Based LTC:

They can move a single non qualified or qualified asset over and walk away any time with a refund of some or all of their investment. Clients can transfer existing cash value life insurance policies they no longer need to help funding. Clients may be able to use existing annuity assets to fund linked benefit LTC options via 1035 exchange.

LIFE INSURANCE with LTC Rider

What is it?

A Life Insurance policy with an LTC Rider. LTC benefit is 2-4% of the DB capped by HIPAA per diem. Two of the 6 ADL's or cognitive impairment is required.

+ PROS +

- Moderate LTC Benefit
- 2-4% of Death Benefit
- Highest Death Benefit
- Flexible Funding Single to Life Pay
- Certainty
- All Levels of Care
- Access to Care Coordination for Family

- CONS -

- Annual Premiums or Short Pay
- Capped LTC Benefit
- No Inflation of LTC Benefit
- Reduction of Death Benefit to LTC
- Hard to Put in Irrevocable Trust

Why Clients Choose Life Insurance with LTC Rider:

The clients recognize the need and the value of LTC coverage but want a larger death benefit for their heirs. Clients may use existing cash values from life policies to help fund this contract and lower or eliminate future premiums. They may have impaired health underwriting concerns.

LTC Annuities

ANNUITIES | LEVERAGE/TAX EFFICIENCY WITH A SINGLE DEPOSIT

WHAT IS IT?

A single premium tax deferral annuity. Approved under The Pension Protection Act to provide tax free benefit to pay for LTC services.

+ PROS +

- Minimal Underwriting
- Tax-free Transfer of Gains
- Tax-free Use of all Money for LTC Services
- Probate-free
- 2x or more Leverage for LTC Service Funding

- CONS -

- Single Premium Only
- Low Cash Accumulation
- Limited Carrier Choices

Why Clients Choose to Leverage/Tax Efficiency with a Single Deposit:

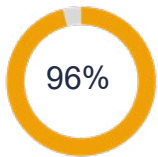
The clients think they have more than enough money to do so. To take advantage of the favorable provisions in the Pension Protection Act (PPA).

Take the Next Step for Your Future

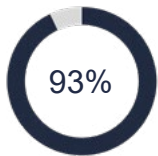
Get Ready to Talk About your Extended Care Plans

Some of the most important conversations with your loved ones are not the easiest, yet they have meaningful outcomes. Extended care is a topic many people want to avoid, but an extended care event doesn't just happen to a person; it affects the family both emotionally and financially. Having an honest conversation as a family can be a life-changing event. It's something that everyone should be doing as part of their retirement strategy because it can lead to a better future for you and the ones you love.

Know the Facts



96% of Americans surveyed feel it is important to plan for extended care in advance of needing it.¹



93% of people surveyed who have an extended care solutions are confident about their long-term financial plan.²

It's not uncommon to be confused about extended care. Unlike medical care, extended care is assistance with everyday tasks, including eating, dressing, bathing, using the toilet, helping with incontinence, and moving to and from a bed or a chair. Extended care assistance can also include housework, cooking, administering medications, grocery shopping, and managing money.³

A number of individuals have misconceptions about extended care, such as:

1. "It won't happen to me." People tend to downplay their personal risk, often assuming that others face a greater risk of needing care.

Americans believe the risk is greater for someone else in the family.¹

33%
think they will need care.

40%
believe their spouse will need care

50%
assume their parents will.

The reality is the actual risk is much higher for everyone

2. "Medicare or Medicaid has me covered." If qualified, Medicare will likely be insufficient and Medicaid does not account for your choices or preferences.

¹ VerstaResearch, "2020 LTC Marketing and Thought Leadership Research, Findings from Surveys of Advisors and Consumers," October 2020. <http://visit.lfg.com/MG-VRST-PPT001>.

² 2019 Lincoln Financial Conversation Survey, August 2019. https://newsroom.lfg.com/sites/lfg.newshq.businesswire.com/files/doc_library/file/Final_LFG_Whitepaper_11.06.19.pdf.

³ U.S. Department of Health and Human Services, "What is Long-Term Care?," <https://longtermcare.acl.gov/the-basics/what-is-long-term-care.html>, July 23, 2020.

⁴ "What Is the Lifetime Risk of Needing and Receiving Long-Term Services and Supports?" ASPE, aspe.hhs.gov/basic-report/what-lifetime-risk-needingand-receiving-long-term-services-and-supports. April 2019.

Take the Next Step for your Future

3. "That's what my savings are for." Many Americans significantly underestimate the costs of long-term care, assuming the average annual cost of a private room is approximately \$47,000 — less than half the true cost. Unfortunately, financial professionals project that clients who experience an unplanned care event may spend their savings two times faster than anticipated.*

4. "My family will be able to take care of me." The burden of caregiving usually falls on the women in the family. Daughters who care for ill parents are twice as likely as non-caregivers to experience depression or anxiety. 94% of Americans surveyed believe a long-term care plan would make things easier on adult children.*

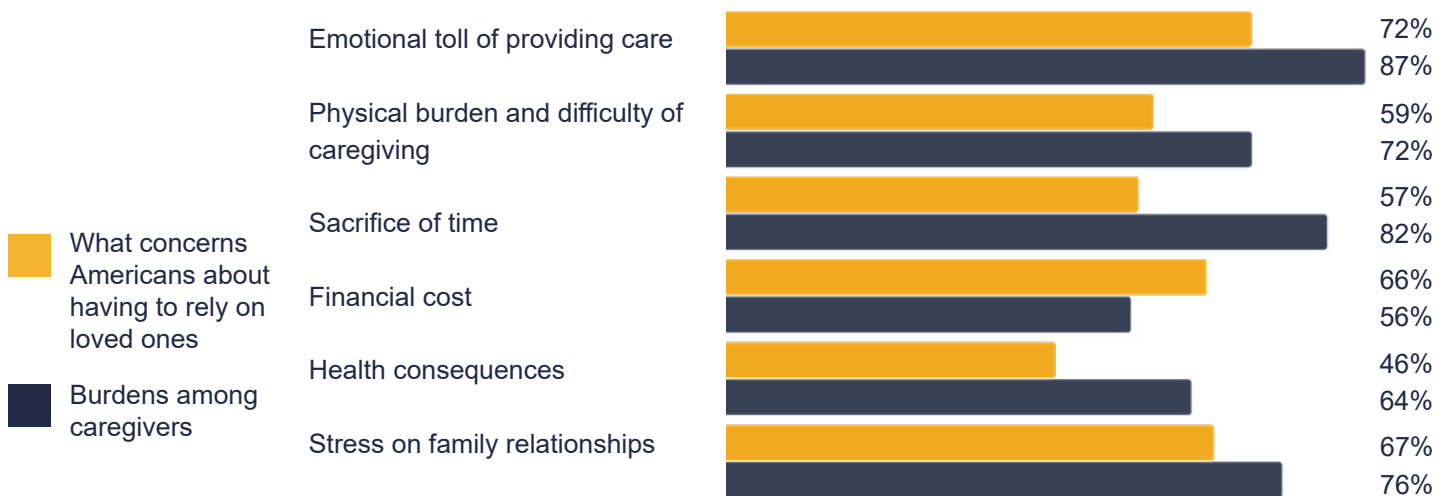
Nearly All Financial Professionals (98%)
agree it is important for people to plan in advance of needing long-term care.

Why it's Important to Talk

People care about their loved ones and want the best for them. When there's no plan in place, relatives may find themselves in the difficult position of having to make uninformed health-related and financial decisions for an ailing loved one.

It's no wonder that Americans are concerned about becoming a burden when they think about potentially needing care and family members becoming their caregivers.*

The Perceived Risks Associated with Long-Term Care*



* VerstaResearch, "2020 LTC Marketing and Thought Leadership Research, Findings from Surveys of Advisors and Consumers," October 2020. <http://visit.lfg.com/MG-VRST-PPT001>.

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Take the Next Step for your Future

When to Get Started

Get your loved ones engaged in conversations about planning while everyone is still healthy. A good time to begin the process is when you feel confident that you will reach your retirement goals. The next step is to consider what could derail your retirement.

Discuss what's Important in your Plan

- **Care:** Let your loved ones know your preferences. Learn what the costs of different types of services are when and where you plan to retire.
- **Caregiving:** While caregiving is very noble, long-term care can involve some of the most intimate aspects of daily living, and many feel they're incapable of providing the care a loved one would need. Note: Share your expectations with your loved ones and encourage them to share their thoughts with you.
- **Health-Related Decisions:** Designate who has authority to discuss medications and treatment, and inform your physicians. Give your designee the contact information for your doctors.
- **Finances:** Let your loved ones know how you will cover the costs of care. Also establish who will have the authority to manage your finances, such as paying the household bills.
- **Legal matters:** Make sure you and your loved ones have a living will, a current will, a durable power of attorney, and a power of attorney for healthcare.

Many Americans like you are Thinking About Long-Term Care †

77% of parents are reluctant about having their children provide long-term care for them.

94% of consumers believe a long-term care plan would make things easier on adult children



More than 78% of Americans surveyed worry they would not be able to provide adequate care if someone in their family needed it.

Are you Ready to Take the Next Step for Your Clients?

Contact your support team at First American Insurance Underwriter for additional assistance. We have extensive experience in planning for long-term care and can provide a wealth of knowledge and show you a variety of planning options.

† VerstaResearch, "2020 LTC Marketing and Thought Leadership Research, Findings from Surveys of Advisors and Consumers," October 2020. <http://visit.lfg.com/MG-VRST-PPT001>.

Plan for a Productive Conversation with your Financial Professional

Before your meeting, please respond to the following questions. When you've finished, email this completed form to your financial professional.

Name:

1. When I think about my overall goal for my assets, do I plan to completely spend them down? Yes No
Do I want to pass wealth to my loved ones? Yes No How much?
2. Do I have a good understanding of what care costs in my area? For example, do I know the difference between skilled nursing home care and the cost of in-home care? Yes No
3. If I had a need for care, is my preference to stay at home for as long as possible or would I choose to go to a facility if there's a cost savings involved?
4. If I went to a facility, I would want it to have a rating of? 5-star 4-star 3-star No preference
5. Many people believe that Medicare or Medicaid will cover these costs, yet often long-term care becomes private pay for the family day one and dollar one. On the very first day, where is that money coming from? Which asset would I sell first?
6. Would that create any additional tax implications for me and/or my spouse? Yes No
7. Taking affordability off the table, am I going to feel comfortable with that level of assets being spent to provide care for me? Yes No
8. Am I concerned about what the stock market might be doing if and when I need care? Yes No
9. Do I have financial powers of attorney to help someone have access to pay for my care? Yes No
10. If I had a need for care, would it be valuable for me to have some level of advocacy and coordination services set up to have myself or my loved ones pick a care facility? Yes No
11. Would I want a family member acting as a caregiver for me in any capacity? Yes No
12. If I should ever need care, what is my family prepared to do physically and financially?

Are they willing to sacrifice time to provide assistance? Yes No

Are they even aware and feel comfortable that this is your plan? Yes No