Nationwide® is on your side

Help high-net-worth clients avoid the hidden cost of self-insuring long-term care

High-net-worth clients have the assets to self-insure for long-term care (LTC) expenses, should the need arise. But they may not realize that there could be a hidden cost to self-insuring in the form of estate taxes due on the funds left untouched.

Self-insuring LTC requires assets to be left accessible within the estate. However, those assets could be subject to potential estate taxes of up to 40% if a client has little to no LTC expenses.

But what if there were a more efficient option — one that repositions the assets into a policy that leverages them for LTC expenses, all while enabling the client to maintain control and keep the assets on the net worth statement?

Consider Nationwide YourLife CareMatters® — a cash indemnity policy

This cash indemnity LTC linked-benefit policy offers the policyowner:

- A return of premium feature[1] — offering control and future liquidity should a client's needs change
- A cash indemnity plan that guarantees the client can collect the maximum monthly LTC benefit with no monthly bills or receipts to submit[2]
- A death benefit that is equal to or more than the premium paid should LTC never be needed[3]
- A guaranteed residual death benefit even if LTC benefits are exhausted
- Currently the only linked-benefit product that can be owned by an irrevocable life insurance trust (ILIT) because of the indemnity structure[4]

[1] For single premium payments, the return of premium value is available starting day one, subject to a vesting schedule. There is a full return of all premium starting in year six. Return of premium is available on 5- and 10-year payment schedules only after the end of the premium payment period and all required premium has been paid. Return of premium amounts for all premium patterns are reduced for loans or withdrawals.

[2] Documentation will be required annually to establish a claim, but bills and receipts are not required to collect monthly benefits.

[3] Assuming no loans or withdrawals.

[4] Based on Nationwide competitive intelligence research on linked-benefit products, July 2016.

Compare the options

The hidden cost of self-insuring

If your client plans to set aside money in his or her taxable estate for potential LTC expenses, there are a couple of possible outcomes:

1. If most of the funds are used for LTC expenses, the plan worked, though the asset is depleted for legacy purposes.
2. But if little or no LTC expenses arise, there could be the cost of substantial estate taxes on the funds remaining at death — up to 40% at today's estate tax rates.

A more efficient option

Your client can reposition the same amount of money that would be lost to estate taxes into a CareMatters℠ policy, which can potentially yield more LTC coverage. And with the Return of Premium feature, your client can view the asset on his or her net worth statement, positioning it as a conservative asset in the portfolio. Then:

- **If LTC is never needed** — the death benefit will be equal to or more than the premium paid, so the only loss will be the estate tax on the death benefit amount, not the estate tax on the full amount your client set aside for LTC and would have otherwise self-insured with; in some cases, the leveraged death benefit will even cover the estate tax
- **If LTC is needed** — a leveraged pool of funds will be available to pay LTC expenses; full monthly cash indemnity LTC benefits are paid tax free to the policyowner without the requirement to submit monthly bills and receipts; this provides additional ease-of-use when your client wishes to use those LTC benefits for concierge-level LTC services

An example

Mrs. Rockworth is a 58-year-old female who assumes that she and her husband can self-insure LTC expenses since they are worth $50 million. However, assuming $1 million is set aside in the estate to pay for her LTC expenses, any unused portion of those funds could be taxed up to 40% at today's estate tax rates. In this case, the consequence of self-insuring would equate to a loss of $400,000.

Since the goal is to grow the Rockworths' legacy, not deplete it, their financial professional showed them an alternative strategy: repositioning the $400,000 that would potentially be lost to estate taxes into a CareMatters policy.

In this case[5]:

- A $401,597 single premium would supply a leverage of $1.75 million in LTC benefits, and if LTC is never needed, $750,000 in death benefit
- If LTC is needed, $1.75 million would be available to pay for LTC expenses instead of fully depleting their own $1.75 million; plus, the beneficiaries of the estate would receive a $150,000 minimum death benefit, leaving $90,000 in additional funds to the beneficiaries after estate taxes
- If LTC is not needed, instead of exposing $1 million to potential estate taxation of $400,000, a death benefit of $750,000 would be paid to the beneficiaries; after estate taxes are paid, $450,000 remains, which is more than the original premium and leaves no monetary loss
- For added tax savings, the policy could be owned by an ILIT *(For more information on using CareMatters in an ILIT, please refer to the white paper NFM-12639AO. It can be requested by contacting us at the numbers on the following page.)*

After reviewing the options, Mrs. Rockworth felt that using CareMatters was a much wiser approach to planning for potential LTC expenses than self-insuring. The new plan will help preserve their assets instead of unnecessarily depleting them.

$50 million portfolio

OPTION 1

The potential cost of self-insuring LTC

Setting aside **$1 million** in a taxable estate to pay for potential LTC expenses means the estate could lose up to 40% at death — or $400,000 in estate taxes if LTC is never needed.

Because CareMatters is trust-friendly, an ILIT can own the policy to possibly provide additional estate tax savings.

OPTION 2

Place $401,597 — the approximate amount that could be lost to estate taxes — in a CareMatters policy.

The policy will provide $1.75 million in LTC coverage and/or a $750,000 death benefit.[6]

After estate taxes, $450,000 remains, which is more than the original premium.

If all $1.75 million of LTC benefits are used, there is a residual death benefit of $150,000 — and after 40% estate taxes are paid, $90,000 remains for beneficiaries.

[5] Stated benefit amounts are based on hypothetical examples; actual benefit amounts received may vary. This example assumes a 58-year-old female, couple rate, non-tobacco, six-year benefit duration, no inflation option.

[6] Assuming no withdrawals or loans are taken.

To learn more about the benefits that Nationwide YourLife CareMatters can offer your clients, please call us at:

<insert name>
<insert contact information>
<insert agency>

Nationwide®

When choosing a product, make sure that life insurance and long-term care insurance needs are met. Nationwide YourLife CareMatters is not intended to be a primary source of life insurance protection, so make sure life insurance needs are covered by appropriate products. Be sure to choose a product that meets long-term life insurance needs, especially if personal situations change — for example, marriage, birth of a child or job promotion. Weigh the costs of the policy, and understand that life insurance, and long-term care coverage linked to life insurance, has fees and charges that vary with sex, health, age and tobacco use. Riders that customize a policy to fit individual needs usually carry an additional charge.

Keep in mind that the payment of long-term care rider benefits, as an acceleration of the death benefit, will reduce both the death benefit and cash surrender values of the policy. Additionally, loans and withdrawals will reduce both the cash values and the death benefit. Care should be taken to make sure that life insurance needs continue to be met even if the rider pays out in full, or after money is taken from the policy. There is no guarantee that the rider will cover the entire cost for all of the insured's long-term care, as this may vary with the needs of each insured. Nationwide pays the long-term care benefit to the policyowner; there is no guarantee the policyowner will use the benefit for long-term care expenses if the policy is owned by someone other than the insured.

The extent to which an LTC benefit payment is received tax-free is limited, on an annual basis, to the greater of the actual qualifying LTC expenses incurred or the HIPAA per diem amount or its equivalent. Nationwide YourLife CareMatters is a cash indemnity policy that pays benefits upon showing that the insured has been certified as having the triggers required to qualify a claim. Submission and review of bills and receipts supporting actual LTC expenses incurred is not required for payment of benefits nor is the benefit limited to the daily HIPAA per diem. Therefore, the company cannot guarantee that LTC benefit payments will be treated as tax free given the taxpayer's specific circumstances, especially when benefits are used to pay for care provided by family members or collected from more than one policy. Taxpayers should seek the advice of their own tax and legal advisors regarding any tax and legal issues applicable to their specific circumstances upon qualifying for LTC monthly benefits. Nationwide and its representatives do not provide tax or legal advice.

For contracts that meet the MEC definitions of IRC Section 7702A, most distributions are taxed on a first-in/first-out basis. However, LTC benefit payments can be received tax-free under IRC Section 7702B. Partial surrenders and loans from a MEC will generally be taxable.

Approval for coverage under the policy and attached LTC riders is subject to underwriting and may require a medical exam.

Nationwide YourLife CareMatters may not be available in every state. Please contact Nationwide to determine product availability in your state.

Guarantees are subject to the claims-paying ability of the issuing company.

Products issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio.

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