



GIFT LTC COVERAGE BEFORE THE SUNSET

For high net worth parents with adult children, gifting those children a linked benefit (hybrid) long-term care policy that includes inflation protection can offer significant long-term care benefits to aid in preserving, protecting, and growing family wealth.

CASE STUDY #1

A couple wants to purchase linked benefit Long-Term Care (LTC) coverage for both of their adult children. Their daughter is 45 years old and married, while their son is 47 years old and married. The couple's objective is to acquire LTC coverage for each child that will cover extensive home care if necessary. They also plan to pay for each policy with a single premium in order to utilize any remaining estate tax exemption amounts before they run out.

FEMALE 45, NON-TOBACCO, MARRIED

- **\$250,000 single premium**
- 6-year benefit, cash indemnity
- 3% compound inflation
- **\$432k death benefit if not used**
- Age 65 LTC - **\$2.52 million benefit pool**
- Age 65 Monthly LTC benefit - **\$32,500**
- Age 80 LTC - **\$3.9 million benefit pool**
- Age 80 Monthly LTC Benefit - **\$50,600**

MALE 47, NON-TOBACCO, MARRIED

- **\$250,000 single premium**
- 6-year benefit, cash indemnity
- 3% compound inflation
- **\$487k death benefit if not used**
- Age 65 LTC - **\$2.68 million benefit pool**
- Age 65 Monthly LTC benefit - **\$34,600**
- Age 80 LTC - **\$4.18 million benefit pool**
- Age 80 Monthly LTC Benefit - **\$53,800**

By using this strategy, the parents have provided approximately \$4,000,000 of Long-Term Care (LTC) coverage for each child at age 80, helping their children to preserve their wealth and cash flow in case a LTC event happens. If the parents also want to purchase similar policies for their two children's spouses, they could utilize a total of \$1,000,000 of lifetime estate tax exemption. Additionally, a similar joint life version of this policy, with a shared LTC benefit pool, could be used for an adult child and their spouse.

How could this work for HNW adult children who decide to gift a policy to parents or a parent that may not have their own means to pay for LTC costs?

Using a guaranteed joint life linked benefit (hybrid) LTC policy with a shared benefit pool:

- Insure parents age 68 (F) and 70 (M)
- Gift a joint life LTC linked benefit policy paid for with a \$500,000 single premium
- This would purchase \$1,730,000 in total shared benefits (no inflation used to ensure a higher amount of coverage if LTC needs come sooner than later)
- They will share 96 monthly payments of \$18,000 each. They can each collect \$18,000 at the same time
- And if the policy is not used, a tax-free death benefit of over \$648,000 would be paid to beneficiaries, which would more than recover dollars paid for the policy.