Newsletter Winter 2010

New Long Term Care Planning Options for 2010

DICK CLAUSS, LUTCF

Long Term Care insurance is not for everyone. However, it would be helpful to conduct a thoughtful discussion on this subject of critical importance to your family. During this discussion, you may want to consider new planning tools that took effect on January 1, 2010 as a result of the Pension Protection Act of 2006.

On January 1, 2010, the following important provisions went into effect that could have a large impact in planning for a Long Term Care event.

- Life insurance policies and non-qualified annuities can now be linked to your Long Term Care costs and/or the purchase of a Long Term Care insurance policy. Money withdrawn to pay for your care and/or to pay premiums for a Long Term Care insurance policy can be tax free. You may use an existing life insurance policy or non-qualified annuity if the appropriate Long Term Care rider is attached by the company. If necessary, you can do a 1035 tax free exchange of your policy proceeds to a new life insurance policy or non-qualified annuity that contain the appropriate Long Term Care rider.
- These new tools provide another planning option to people who cannot (due to health constraints) or do not want to purchase traditional Long Term Care insurance, but are still concerned about the financial impact of an extended health care event.
- The Long Term Care rider that is attached to an annuity expands your policy proceeds 2-3 times the amount deposited when withdrawn to pay for your Long Term Care costs. Thus, a $100,000 annuity is now worth $200,000-$300,000 in benefits. You may even find some companies willing to go above the usual $200,000-$300,000 threshold.
- Why are these new tools worthy of your consideration?
  - Seven in ten people who live to age 65 will need some Long Term Care services at some point in their lives. [1]
  - What care costs in Columbus, OHIO. [2]

Nursing Home	- $77,380/year - Private room
	$68,225/year - Semi private room
Assisted Living	- $46,416/year
Home Care	- $17.22/hour

- An example - Due to health issues, you find yourself in a nursing home, assisted living facility and/or are receiving home care that is costing you $40,000 per year. You review your asset base and choose to withdraw $40,000 from your non-qualified annuity which has a reportable gain of $60,000. When you withdraw the $40,000 from your annuity, your taxable gain is withdrawn first. You owe the IRA the tax on $40,000. Your cost of care is $40,000 plus the new tax.
- Solution - You can hope that the company who issued your annuity will attach a Long Term Care rider. If not, you can exercise a 1035 tax-free exchange to a new annuity that contains the Long Term Care rider. As a result you can withdraw the $40,000 tax free.

Our newsletter does not provide all the space we could use to talk about the new and exciting planning options that are available to you. Give us a call to arrange an appointment today to study all the options and address your questions.

1. U.S. Dept of Health and Human Services, National Clearinghouse for Long-Term Care Information, www.longtermcare.gov, September 2008.
2. John Hancock Cost of Care Survey, conducted by Care Scout, 2008.

Caring for Grandma: *"Now I get it."*

ERIC ELSASS, LUTCF

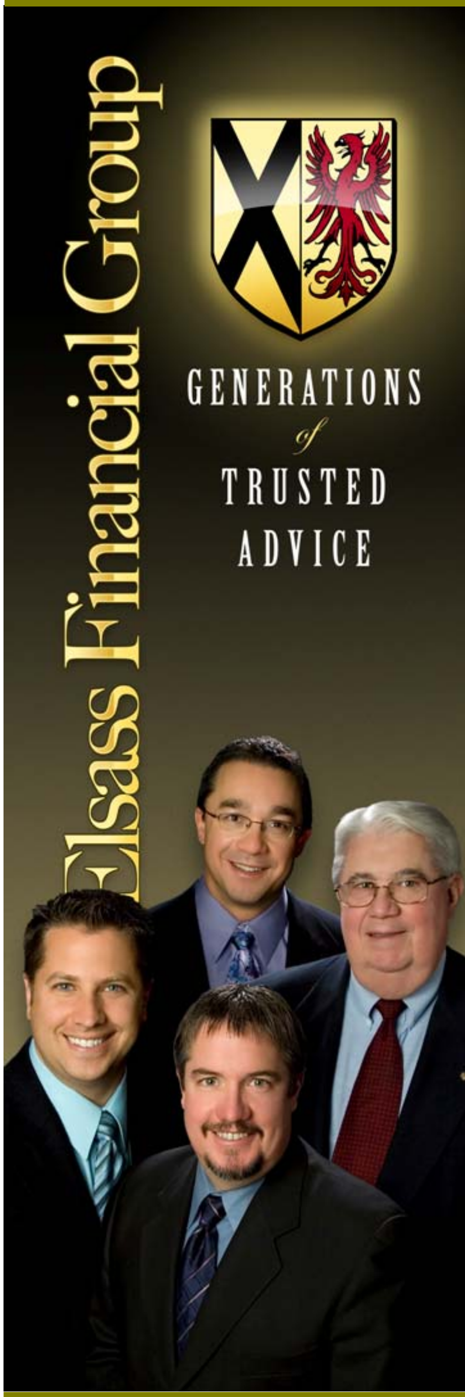
About 8 months ago, my wife and I took over the care of her grandmother. To better help her, we moved her from North Canton into a condo here in Wadsworth. Everything seemed like it was going to work out great, and we were all excited to have her close to us. Then we discovered what condition she was *really* in.

As we spent more time with her each day, we noticed that Grandma was not doing as well as we thought she was. One evening when we arrived at her place, we found her standing in the dark by the back door, looking confused. After consulting with our doctors, we took her to the hospital for observation and an assessment. Having spent about a week there, then about a month in a skilled care facility, the nurses and doctors diagnosed her with elevated dementia and recommended that she have 24 hour-a-day care. *Well, this was not part of the plan.*

Amy and I have gotten quite an education since then. There are many ways to care for someone in her situation, none of them inexpensive: assisted care facilities, nursing homes, in-home care providers. Each one of these offered different pros and cons, levels of service, and price points.

Fortunately, for Grandma (and for us), she had purchased a Long Term Care policy about nine years ago. This policy has allowed us to get her the very best care we can find, and not have to settle for what she could afford. The company has been great to work with, and the proceeds have more than covered her cost of care, meals, and lodging at the facility she is now in. Grandma also feels good knowing its helped preserve her savings accounts which she worked so hard for.

I'll have to admit that I've understood the value of Long Term Care policies from a clinical standpoint. However, seeing a plan in action and the benefits to the owner and their family, I now truly "get it."



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Maximizing Your Annual RMD

ERIC ELSASS, LUTCF

In 2009 individuals 70½ and older with IRA accounts were NOT required to withdraw their annual Required Minimum Distributions (RMD). This brought to light something we've sensed for quite a while: many individuals do not need to pull funds from their IRAs, and would not if they were not required to do so. When asked what their plans were for their IRAs, many of our clients said they simply wanted the funds to go to their children or a specific charity.

So what can you do if you find yourself in this situation? How can you maximize these RMDs to your advantage? There are a number of strategies we use to turn this mandatory withdrawal from a negative into a positive. We can use those dollars to do a variety of things that help to either preserve the funds you have or increase what you pass along.

As previously mentioned in this newsletter, Long Term Care insurance can be a valuable addition to your overall financial plan, and your annual RMDs can be a great way to help fund a plan.

Another strategy is to use the RMD dollars to fund a life insurance policy. Your current health will determine how much coverage you would be able to purchase. The benefit here is that the proceeds from the life insurance policy would pass income tax free to your beneficiaries. This can be used to either offset the income tax your beneficiaries will be paying in receiving the IRA funds or increase the overall amount they receive.

If you are currently required or will be required in the next couple of years to take annual RMDs, give us a call. We can help you look into ways to maximize your benefit. Let's see what we can do!

Green Alert!

Would you like to start receiving your newsletters electronically? If so, please email us at: info@elsass-efg.com

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Please Contact Us to Learn More about the New Roth IRA Opportunities in 2010 or Visit our Website - www.elsass-efg.com

Have a Happy and Healthy New Year!

TRY SOME *FINANCIAL* NEW YEAR'S RESOLUTIONS FOR 2010

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1. Stop spending more than you make.
2. Ask for a copy of my *Faith & Finances Workbook* and learn about the 10% rule:
   - 10% for church or charity
   - 10% for short term savings
   - 10% for long term investments
3. Write and follow a spending plan. We have a format for you.
4. Give your investments an annual check-up. Call us for a review.
5. Make a reachable financial goal for 2010… then another for 10 years from now.
6. Check your life insurance. Does it fit your current needs?
7. Find your will and make sure it is current and still meets your needs.
8. Have someone help you with your taxes that knows the latest rules.