Chris D. Callen, Insurance Agent
"Helping Professionals Nationwide"
"Serving Our Clients Since 1981"

Guaranteed Universal Life With A Long-Term Care Optional Rider

Does This Apply To You ?

As you are aware, as long as you are working, your personal disability income policy(s) will continue to protect your retirement assets from spend down due to an extended sickness or injury. However have you thought about the consequences of losing your hard-earned retirement assets due to an extended sickness or injury ***after*** you quit working ? How will you protect yourself if you don't have a disability income policy in place?

If you really think about it the odds of being sick for a long period of time are significantly longer after you retire. If you are married your problem has been doubled. Recent statistics, according to *The American Association For Long-Term Care Insurance (AALTC)*, say roughly 50% of people 60 and over will need the resources of a long-term care facility. So if you are married, the odds are one of you will require the use of long-term care resources. Therefore you must be actively planning on setting aside a big chuck of assets to cover this more than likely expense.

In 2013, as reported by Genworth Insurance Company, the median cost for a year stay in a long-term care facility was over $87,000. Based on your age today that cost could easily double or even triple by the time you might need it. The AALTC reports that the average length of stay in a long-term facility is 2 to 3 years based on gender. So if you are lucky and only one of you need care you will need to budget $90,000 in today's dollars but realistically ***you should prepare to set aside at least $250,000 per person*** to be able to cover the cost of care later in life when you will need it. Maybe more will be needed. No one can tell you for sure. Note – if you live in a high-priced Eastern city like New York City, Boston, etc., the median cost of care is already over $163,000 a year !

In the past many of you have purchased traditional long-term care insurance to protect this risk. This was a wise choice at the time. I have purchased it for myself and my wife too. However when we all did this the industry was stable. Premiums with most carriers had not risen in over 30 years. Then about 3 years ago things went South for the long-term care companies. They started experiencing greater than anticipated expenses. In 2013 the industry paid out over $7.3 billion in claims. This translated to huge premium increases for all of us that bought long-term care insurance. Some carriers took 40% increases in one year. Future increases are anticipated. These large increases have led many to terminate their coverage. Those that keep it run the risk of being priced out of the policy by the time they will actually need it. Plus there is the issue of paying all of those premiums for all of those years and never being able to use the policy. This is a real problem. There has to be a way to protect your assets from this probable expense – right?

So Now We Have Identified The Problem – Let Me Offer You A Solution:

Simply put - there is an old life insurance product that has been outfitted with a new option that solves the problems associated with traditional long-term care policies. Think of it as level premium term life policy that you can't outlive and will pay your heirs when you die, but if you ever require the funds to pay for long-term care expenses (at home or in a facility) you can immediately access the policy's death benefit while you are alive! And the premiums are *guaranteed* to remain level.

Let Me Give You An Example:

Dr, Jones and his wife are both 50 years and in good health. He has $3,000,000 of 20 year level term life insurance where the guaranteed period will end at age 65 and is paying $5,370 a year. Then he will be forced to either drop the policy due to the 20 times premium increase he will experience or buy another policy is he still needs life insurance for a longer period. He has no long-term care insurance as the premiums were about $9,000 a year to get a policy that covered his needs for his wife and him.

Dr. Jones anticipates needing some life insurance past 65 as his assets have not grown as anticipated. He also is getting concerned about how a long-term facility stay could play havoc on his retirement assets. So he called his agent, Chris D. Callen, Insurance Agent and asked if we had any solutions to his problem.

We were able to show Dr. Jones a Guaranteed Premium Universal Life policy for both he and his wife a $250,000 death benefit with a Long Term Care Option attached. Since the plan is to provide death benefit and not internal cash value growth we set it up with a minimum premium payment plan for only 15 years. His premium was about $362 a month and his wife's was about $300 a month,. The company ***guaranteed the premiums would never rise*** and the death benefit would be paid as long as those specific premiums were paid on time, regardless of the company's earnings or future mortality rate. Because it was a Universal Life policy we had the freedom to determine how many years of payment could be made. Rather than the 15 year payment plan Dr. Jones could have just as easily selected a 10 or 20 year, or even lifetime payment option. However we generally do not like to have clients making premium payments once they are well into retirement.

When we ran this plan by his financial planner they agreed it made sense as a low-risk guaranteed benefit to protect them and their family from financial hardship due to the necessity of saving spend down during a devastating incapacity. As always we abide by the recommendations of your personal planner, should you have one, and would be happy to get their opinion on a custom plan designed specifically for you.

Note that the majority of our clients who are purchase this GUL/LTC product select a $500,000 death benefit for them and either $250,000 or $500,000 for their spouse. They see this as low cost way to pass on an estate to their family and get the combined use of the policy to offset most or all of their anticipated long-term care needs. Bottom line is Dr. Jones gave the insurance company about $119,000 over 15 years and he and his wife will guarantee themselves the use of up to $500,000 of income tax free long-term care benefits or if not used $500,000 of income tax free income to their kids at their deaths.** I don't believe any pension plan can give that guarantee in addition to continuing to make funding payments if you were to be disabled.

So What Did Dr. Jones Actually Get For His Purchase ?

- He has protected himself, if he lives, as he paid a level premium for a relatively short period of time for an instant estate for his heirs. No need to requalify for more life insurance later at a much higher premium.

- He has protected his family from financial loss if he or his wife dies with $500,000 of income tax free funds to him, his wife, and his heirs (less any benefits paid for Long-Term Care)

- He has protected himself in the event of a qualifying disability while he is paying premiums with the Waiver Of Premium benefit where all premiums due while disabled will be waived by the company

- *Both of them combined have access up to $5,000 a month of Long-Term Care to 50 months for a total of $500,000 of income tax free Long-Term Care***

- Long-Term Care benefits are paid as an Indemnity benefit not a Reimbursement benefit as most traditional Long-Term Care policies pay. This means if they qualify for benefits the company will just send them a monthly check for an amount of their choice up to the $5,000 limit. No need to send in receipts and then get reimbursed.

- He has saved about $500 a year on the reduction of his current term life policy by the $250,000 of new insurance**.**

In Summary:

I urge you to act quickly as just this week one of the major insurance companies that offers this product is leaving the market. This means that the product is a really good buy for the client as the insurance company has realized they have underpriced the product (good for you) but will still be on the hook for the level premiums and guaranteed death benefit. You will want to take advantage of this concept before other carriers decide to exit the market as well.

If you have any interest in seeing if this concept is right for you and your family please give us a call at 800-288-6578 or email us at help@cdcallen.com to set a time to set up a short teleconference with one of our agents.

*** - Chris D. Callen, Insurance Agent is not qualified to offer tax or legal advice and you should not relay on any mention of taxes to be current or accurate for your situation. Any mention of tax concepts is only offered as what is publicly known regarding income tax. You should always consult with your tax advisor regarding the taxation of any specific product based on your exact situation.*