



## Keep Death Proceeds Out of the Estate While Providing Long Term Care Benefits

With the Baby Boomers becoming more aware of the benefits of long term care insurance, it was only a matter of time before an insurance company figured out how to provide this benefit in conjunction with a life insurance contract.

However, Baby Boomers are also sensitive to subjecting themselves to more estate taxes than necessary. **By utilizing a life insurance policy with a long term care rider that pays via an indemnity-style benefit rather than a reimbursement provision, an insured can achieve their goal.**

The life insurance policy would be owned by an irrevocable life insurance trust, known as an ILIT. Because the indemnity-style nature of the long-term care rider pays the contract owner, the trust would actually receive the benefit payment. **The trust would also be structured to allow collateralized arms length loans.**

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In order for the grantor to take loans from the trust, a loan agreement would need to be implemented charging interest and requiring assets to be put up as collateral to secure the loan (such as the equity in the grantor's home). For these type loans, the interest must be at least equal to the amount of interest the life insurance policy would charge for a loan. If the grantor needs long-term care, a claim is filed and the benefit is paid directly to the trust. The grantor then borrows money from the trust to help pay their long-term care costs. The idea is for the grantor to allow the loan and interest to accrue for the rest of their life. Upon the grantor's death, assets from the estate are used to repay the loan and interest amounts to the trust. This results in less assets being left in the estate to be taxed - and the trust assets are not only made whole again, but have an additional amount added to the trust equal to the interest amount paid from the estate assets.

Keep in mind that riders are offered at an additional cost and may not be available in all states. A life insurance or annuity purchase should be based on the life insurance or annuity contract, and not optional riders or features. The cost of an option may exceed the actual benefit paid under the option.

As you know, life insurance is a very flexible financial tool. With a little thought and planning, it may be much more useful than you ever thought possible. The Larry Gordon Agency represents several carriers with indemnity-style LTC riders. (Keep in mind that we also have carriers that offer reimbursement LTC riders that may also be a fit for your client's needs.) Call us for a life insurance quote with a LTC benefit rider for your next client presentation.

**Please remember, no product, rider, service or strategy is suitable for all clients. It is your responsibility as a life insurance agent to carefully consider the client's needs, objectives, risk tolerance and overall suitability before recommending any product, rider, service, or implementing any strategy.**

**Federal income tax laws are complex and subject to change. The above information is based on current interpretations of the law and is not guaranteed. You should consult an attorney or competent tax professional for answers to specific tax questions as they apply to your situation.**

**FOR MORE INFORMATION ON  
THE BENEFITS OF LTC INSURANCE CONTACT:**



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