PREMIER
BROKERAGE SERVICES, INC.

LONG-TERM CARE PLANNING USING QUALIFIED FUNDS

Phil and Sue Martin, ages 61 and 60 respectively, are a married couple who discussed the need for Long-Term Care with their advisor Scott. They had just dealt with caretaker responsibilities for Sue's mother, who suffered from Alzheimer's for many years and recently passed away. They did not want their children to have similar caretaker experience.

Phil and Sue's budget did not allow for much in way of extra income to fund an insurance solution via a traditional funding method. Like most Americans, their largest financial assets besides their home were comprised of pre-tax retirement accounts.

Scott explained the inefficiencies of pre-tax accounts with regards to covering a catastrophic health events at the time they occur, but that a turn-key annuity-funded approach could provide exactly what the Martins are looking for.

Scott identified Phil's IRA, worth $150,000 (a rollover IRA from previous employer QRP), as a funding solution for the approach. The IRA would fund an annuity that would distribute $18,000 a year for 10 years to fund a 10-Pay Whole Life Insurance policy with Lifetime LTC rider.

The approach resulted in **Lifetime LTC benefits for each spouse of $63,456/year** and a second-to-die tax-free death benefit of $176,246. The Martins felt comfort in knowing they were protected and that their heirs would receive funds if LTC was never used.

Secure Act Bonus Idea: Consider this strategy for IRA beneficiaries as it may qualify for the Secure Act Beneficiary IRA 10-year distribution rule.

Traditional Approach: IRA Asset Earmarked for Health Event

- Phil's $150,000 IRA would've grown to $270,142 in 15 Years (Conservative Risk Tolerance)
- Phil suffered a catastrophic LTC event requiring just over 3 Years of care costing $63,456 annually ($84,608 required in IRA withdrawals assuming 25% effective tax rate) and died. His IRA was completely exhausted to pay for his care.
- A few years later, Sue succumbed to Alzheimer's and needed care for 6 years. The Martins' remaining assets were spent down, and their children used their own funds to pay Sue's bills.

IRA Annuity Funded Approach

- Phil's $150,000 IRA was used to fund the strategy
- Sue and Phil received over $570,750 in tax-free LTC benefits
- Their children did not have to fund any of their parents care and inherited remaining assets

The Bottom Line is that protection against a catastrophic health event can be funded in a variety of ways, including an annuity-funded approach using qualified retirement accounts. It is important to discuss the most efficient ways of addressing the catastrophic effects of an extended health event.