PREMIER
BROKERAGE SERVICES, INC.

PAYING FOR LONG-TERM CARE: WHICH ASSET WOULD YOU CHOOSE?

Repositioning Assets to Pay for Care

If you're like most people, over your lifetime, you've accumulated a variety of assets. These assets have a unique purpose in developing your financial and long-term care strategy, and typically fit into one of five categories:

Asset category	General purpose	Considerations[1]	Examples
Qualified funds	Long-term growth for retirement income	• May be taxable on withdrawal • Early withdrawal penalties may apply prior to age 59½	• 401(k) or 403(b) • IRA or Roth IRA • Employer profit-sharing plans
Nonqualified funds	Long-term growth for retirement income	• Taxation varies by product or investment • May be taxed as it grows or include taxable capital gains	• Annuities • Stocks, bonds or mutual funds • Real Estate Investment Trusts (REITs)
Life insurance	Provides a death benefit to beneficiaries	• May accumulate cash value to provide supplemental income or cover expenses	• Whole life • Universal life • Variable universal life
Tangible assets	Physical assets a person owns	• May be taxable upon sale • Liquidity based on market conditions	• Real estate, such as house or cabin • Boat • Jewelry or furniture • Car
Cash equivalents	Fixed, low-interest accounts used for savings or a "rainy day"	• Taxed as the asset grows • Generally accessible with minimal restrictions	• Savings account • Money market • Treasury bill • Certificate of deposit (CD)

Which asset would you choose?

If you needed money today to pay for unexpected long-term care expenses, which asset(s) would you use? And with the average private nursing home room costing $7,698 per month and over $92,000 per year, how long could that asset last?

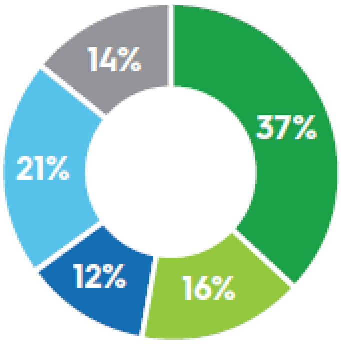
Your "rainy day" account, or cash equivalents, may be the first place you look. Although these assets may cover some – or even all – of the long-term care expenses you may incur, how would using these assets impact your other finances?

Hypothetical Scenario:

Michael and Katherine help secure their future. Katherine and Michael are married. They are both 62 years old, recently retired and are receiving income from work pensions, 401(k) plans and Social Security.

- Michael and Katherine diligently saved during their working years and have accumulated enough assets to provide a comfortable income.
- Michael's employer provided a group long-term care insurance policy, which he kept when he retired. However, Katherine's mother had Alzheimer's Disease, and they are concerned about what might happen if Katherine needs care.

ASSETS KATHERINE AND MICHAEL COULD USE TO HELP PAY FOR LONG-TERM CARE



- Total qualified funds: $800,000
  - Katherine's 401(k): $425,000
  - Michael's 401(k): $375,000
- Total nonqualified funds: $350,000
  - Mutual funds: $250,000
  - Annuity: $100,000
- Life insurance combined cash value: $250,000
- Tangible assets: $450,000
  - Home
  - Two cars
  - Boat
- Total cash equivalents: $300,000
  - Money market: $125,000
  - CD: $75,000
  - Savings: $100,000

Potential Solution

Katherine and Michael choose the single-pay premium payment option and decide to reposition $100,000 of their cash equivalents to purchase a policy for Katherine. This will help protect more of their portfolio from potentially unfavorable liquidation in the event Katherine needs to receive long-term care.

Katherine decides she wants her policy to provide long-term care benefits for six years. In addition, she includes the 3 percent compound interest Long-Term Care Inflation Protection Agreement, ensuring the policy's benefits will increase over time.

Katherine's Policy Benefits

If Katherine wants her money back, after six years, she will receive:

$100,000 premium refund

If Katherine wants her money back: She can request a complete premium refund beginning in the sixth policy year.[4]

When Katherine dies, her beneficiaries will receive:

$100,000 death benefit

If she dies prior to needing care: Her beneficiaries will receive a guaranteed death benefit of $100,000.

Even if she accelerates her entire death benefit to pay for long-term care expenses: Katherine's beneficiaries will still receive the guaranteed minimum death benefit of $10,000 or 10 percent of the policy's face amount, whichever is less.

If Katherine needs long-term care, at age 80 she may receive:

$534,185 total LTC benefit

$6,882 monthly maximum benefit

If she needs long-term care at age 80: After meeting the policy's benefit requirements, Katherine will receive the maximum monthly long-term care benefit of $6,882. The monthly benefit increases every year by the 3 percent compound inflation option she chose, equaling $534,185 in total benefits.

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