Help your high-net-worth clients avoid the cost of self-insuring LTC.

High-net-worth clients have the assets to self-insure for long-term care (LTC) expenses, should the need arise. But they may not realize that there could be a hidden cost to self-insuring in the form of estate taxes due on the funds left untouched.

Self-insuring LTC requires assets to be left accessible within the estate. However, those assets could be subject to potential estate taxes of up to 40% if the client has little to no LTC expenses.

But what if there was a more efficient option — one that repositions the assets into a policy that leverages them for LTC expenses, all while enabling the client to maintain control and keep the assets on the net worth statement?

Consider Nationwide YourLife CareMatters℠

This indemnity-style LTC linked-benefit policy offers the policyowner:

- A **guaranteed return of premium** for single pay policies[1] — offering control and liquidity should a client's needs change
- An **indemnity-style payout** that offers clients a maximum monthly benefit with no monthly bills or receipts to submit[2]
- A death benefit that is equal to or more than the premium paid should LTC never be needed[3]
- A guaranteed residual death benefit even if LTC benefits are exhausted
- The only linked-benefit product that can be owned by an irrevocable life insurance trust (ILIT) because of the indemnity-style structure[4]

1 Assuming no loans or withdrawals. Five and ten year premium schedules have a waiting period of 5 and 10 years respectively, even if premiums are paid up in advance.

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3 Assuming no withdrawals or loans.

4 Subject to change. Nationwide Financial competitive intelligence research on linked-benefit products, May 2014. The guaranteed minimum death benefit amount is 20% of the specified amount used to determine LTC benefits and the death benefits. Please note that in certain policy scenarios, the specified amount may be lower than the death benefit amount.

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Compare the options

The cost of self-insuring

If your client plans to set aside money in his or her taxable estate for potential LTC expenses, there are a couple of possible outcomes:

1. If most of the funds are used for LTC expenses, the plan worked, though the asset is depleted for legacy purposes.
2. But if little or no LTC expenses arise, there could be the cost of substantial estate taxes on the funds remaining at death — up to 40% at today's estate tax rates.

A more efficient option

Your client can reposition the same amount of money that would be lost to estate taxes into a Nationwide YourLife CareMatters℠ policy, which will potentially yield more LTC coverage. And with the Return of Premium feature, the client can keep the asset on his or her net worth statement, viewing it as a conservative asset in their portfolio. Then:

- **If LTC is never needed —** the death benefit will be equal to or more than the premium paid, so the only loss would be the estate tax on the death benefit amount, not the estate tax on the full amount the client would have otherwise self-insured with; in some cases the leveraged death benefit will even cover the estate tax
- **If LTC is needed —** a leveraged pool of funds will be available to pay LTC expenses; full monthly indemnity-style LTC benefits are paid tax free to the policyowner without the requirement to submit monthly bills and receipts while on claim; this provides additional ease-of-use when clients wish to use their LTC benefits for concierge level LTC services

Let's look at an example

Mrs. Rockworth is a 57-year-old female, who assumes she and her husband can self-insure LTC expenses since they are worth $50 million. However, assuming $1,000,000 is set aside in the estate to pay for her LTC expenses, any unused portion of those funds could be taxed up to 40% at today's estate tax rates. This would equate to a cost of self-insuring of $400K in this case.

Since the goal is to grow the Rockworths' legacy, not deplete it, their financial professional showed them an alternative strategy repositioning the $400,000 that would potentially be lost to estate taxes into a Nationwide YourLife CareMatters℠ policy. In this case:

- The $400,000 single premium would supply a leverage of $1,750,000 in LTC benefits, and if never needed $750,000 in death benefit
- If LTC is needed, $1.75 million would be available for a cost of just $400K in premium instead of fully depleting their own $1.75 million; plus, the beneficiaries of the estate would receive a $150,000 minimum death benefit*, leaving $90,000 in additional funds to the beneficiaries after estate taxes
- If LTC is not needed, instead of exposing $1 million to potential estate taxation of $400K, a death benefit of $750K would be paid to the beneficiaries; after estate taxes are paid, $450K remains, which is more than the original premium and leaves no monetary loss
- For added tax savings, the policy could be owned by an ILIT
  (for more information on using Nationwide YourLife CareMatters in an ILIT, please refer to the white paper form no. NFM-12639AO. It can be requested by contacting us at the numbers on the following page.)

After reviewing the options, Mrs. Rockworth felt that using Nationwide YourLife CareMatters was a much wiser approach to planning for potential LTC expenses than self-insuring. The new plan will help to preserve their assets instead of unnecessarily depleting them.

$50 million portfolio

OPTION 1

The potential cost of self-insuring LTC costs

Setting aside **$1 million** in a taxable estate to pay for potential LTC expenses means the estate could lose up to 40% at death — or $400K in estate taxes if LTC is never needed.

Because Nationwide YourLife CareMatters is trust friendly, an ILIT can own the policy to possibly provide additional estate tax savings.

OPTION 2

Place the same **$400k** that could be lost to estate taxes in Nationwide YourLife CareMatters policy.

The policy will provide $1.75 million in LTC coverage and/or a $750K death benefit.*

After estate taxes, $450K remains, which is more than the original premium.

If all $1.75 million of LTC benefits are used up, there is a residual death benefit of $150,000 — and after 40% estate taxes are paid, $90,000 remains for beneficiaries.

* Assuming no withdrawals or loans are taken

Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes a 57-year-old female, couple rate, non-tobacco, 6-year benefit duration, no inflation option.

For more information about the benefits Nationwide YourLife CareMatters℠ can offer your high-net-worth clients, please contact us at:

Nationwide Sales and Service Center:	**1-800-321-6064**
Nationwide Financial Network®:	**1-877-223-0795**
Brokerage General Agents:	**1-888-767-7373**

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As your clients' personal situations change (e.g., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure this product is suitable for their long-term life insurance needs. They should weigh any associated costs before making a purchase. Life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as sex, health and age, and has additional charges for riders that customize a policy to fit their individual needs.

Keep in mind that as an acceleration of the death benefit, the payment of long-term care (LTC) rider benefits will reduce both the death benefit and cash values of the policy. Additionally, loans and withdrawals will also reduce both the cash values and the death benefit. Care should be taken to make sure that your clients' life insurance needs continue to be met even if the rider pays out in full, or after money is taken from their policies. There is no guarantee that the rider will cover the entire cost for all of the insured's LTC, as this may vary with the needs of each insured.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not backed by the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Life insurance is issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio.

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