



What Every Business Needs to Know About

WORKSITE

Long Term Care Insurance

2019 Edition

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Long Term Care: An Executive Summary

Long term care is extended care that consists of help with activities of daily living (such as dressing and bathing) and/or care needed due to cognitive impairment (such as Alzheimer's). This care can be received at home, an assisted living facility, or other type of facility such as a nursing home. The need for long term care can arise at any age, and the majority of Americans will require this care in their later years.

Since most of us will need long term care after retirement age, the topic of how to pay for extended care is an essential element of smart retirement planning. For several reasons, including cost and insurability, the best time to look into purchasing extended care insurance is during working years.

In a survey of Americans ages 30-65, 77% agreed with the statement "I should know more about long term care insurance than I currently do."¹

Long Term Care Insurance Closes a Gap in Benefit and Retirement Planning

Most people who are actively at work don't think of the issue of extended care until they or a family member needs this type of assistance. As a result, many people miss the opportunity to put insurance in place before their health declines. Only long term care insurance is designed to pay the cost of extended caregiving. Without a long term care plan, retirement plans are put at risk. While we tend to associate long term care with old age, the fact is that long term care may be needed well before retirement due to a variety of causes. If we acknowledge that long term disability can happen at any age, it's only logical that some of these disabilities will also result in the need for long term care.

"Over half of people turning age 65 will need long-term care at some point in their lives."²

Awareness of the Problem is on the Rise Among Employees

As life expectancy increases and the baby boomers age, more and more employees are witnessing and experiencing parents, grandparents, relatives, friends and neighbors needing long term care. Many of your employees may, in fact, already be caregivers, since 60% of caregivers are employed either full or part time.³ Information at the workplace, combined with experience or knowledge of caregiving, can make it easier for employees to plan for their own future long term care needs.

Long Term Care/Extended Care is Expensive

Costs can vary dramatically depending on location. For example, nursing home care in some areas is now over \$10,000/month, although the national median for a semi-private room is \$7,441. Cost figures in the chart on the next page are national medians.⁴

It is important to plan now for the possibility of needing long term care services in the future.

Misperceptions Abound, and Employees Acknowledge They Should Know More

Despite growing awareness of the problem of long term care, there is generally a lack of understanding about how to pay for this type of care. In a survey of Americans ages 30-65, 77% agreed with the statement "I should know more about long term care insurance than I currently do."⁵ Employers who provide retirement savings opportunities are in a unique position to similarly address employee concerns and needs about long term care.

Long Term Care Insurance Benefits for Employers and Workplaces

Discounted Premiums/Easier Underwriting

Long term care insurance can be provided by an employer under a group plan or through individual policies. Either way, your employees can benefit from premium discounts and/or underwriting concessions by using the purchasing power of your company. These benefits may also be extended to spouses and other family members of employees.

Portability

Individual (non-group) long term care insurance policies are portable. Even if they no longer work at the place where they purchased their individual coverage, employees can continue coverage by making premium payments, usually retaining any workplace-related discount.

Tax Advantages

Employer-paid premiums are 100% tax deductible. Premiums paid are excluded from employees' gross income. Self-employed persons, partnerships, LLCs, Subchapter S Corporations, and C Corporations can deduct 100% of premiums paid for employees, though deductibility for owners is limited. Benefits from long term care insurance are almost

¹ U.S. Department of Health & Human Services, "Findings from the Survey of Long-Term Care Awareness and Planning Research Brief" 7-1-2015

² National Clearinghouse for Long-Term Care Information, <http://www.longtermcare.gov>

³ The National Alliance for Caregiving (NAC) and the AARP Public Policy Institute, "Caregiving in the U.S. 2015"

⁴ Genworth, Cost of Care Survey 2018, Annual National Median Costs 2018 <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

⁵ The Prudential Insurance Co. of America, "Long-Term Care Insurance: A Piece of the Retirement & Estate Planning Puzzle," page 10. http://www.prudential.com/media/managed/Consumer_Research_2011.pdf

Care Costs - National median costs shown

Home Health Care	\$21.50/hour
Assisted Living	\$4,000/month
Nursing Home Semi-Private	\$7,441/month
Nursing Home Private	\$8,365/month

always tax-free, regardless of whether or not the premium was deducted. Many states also offer tax credits or deductions for long term care insurance premiums. For information on federal as well as state-by-state tax breaks and other incentives, ask for a copy of our "Tax Breaks and Incentives Guide."

Cost-effective

Long term care insurance can be brought to your workplace at little or no cost to your company. Ask about the benefits of contributing to employees' premiums so that you can make the right decision regarding company contributions.

Flexibility

Workplace long term care insurance plans are flexible, allowing employees to choose plan designs that best suit their needs and budget.

Employee Education

Education on the subject of long term care is critically important, as it gives employees practical tools to avoid the financial devastation, as well as the burden on their families, that long term care often creates. Employees are much more likely to listen to information about this issue from their employer, whom they know and trust. By providing quality information, employers can help employees address the problems proactively, before possible declines in health diminish options.

Long Term Care Insurance Offers Key Person and Carve-Out Opportunities

Owners/shareholder employees, key employees and their spouses/dependents can benefit from private long term care insurance policies offered on a carve-out basis. Businesses can reward a group of employees by purchasing long term care insurance for each member of the group.

Employer-paid premiums are 100% deductible as a business expense (limits on deduction apply to self-employed individuals and people who are taxed as such).

More than one-third of adults mistakenly believe that government programs such as Medicare and Medicaid and private health insurance will pay for any future long term care expenses.⁶

Next Steps

Turnkey Solutions and Enrollment

By working with a long term care insurance specialist, the burden of administering a program and educating employees is lifted.

Employer-friendly

We are experts at bringing solutions to the workplace. Through our membership in the National LTC Network, we have a presence in all 50 states, and are ready to help you choose and implement the right program for your workplace.

Employee-centered

Most plans that long term care insurance professionals design are flexible, with an emphasis on allowing employees to stay at home if they wish, while also providing coverage for assisted living facilities and other facility options. Policies usually cover care coordination services. These services help arrange and monitor care, easing many difficulties of caregiving, and making it easier for the person needing care to stay in their own home if they so desire.

Contact us for a consultation about bringing long term care planning solutions, including insurance as appropriate, to your company and your employees.

The benefits of long term care insurance can be offered to both small and large employer groups.

Disclaimer

The information within this booklet is provided for informational purposes only and should not be construed as tax or insurance advice. Please consult your tax advisor and your insurance professional for advice regarding your specific circumstances.

⁶ The Prudential Insurance Co. of America, "Long-Term Care Insurance: A Piece of the Retirement & Estate Planning Puzzle," page 10. http://www.prudential.com/media/managed/Consumer_Research_2011.pdf

In a survey of Americans, 71% of people either strongly agreed or agreed with the statement **“It is important to plan now for the possibility of needing long term care services in the future.”**

Increased awareness of the importance of long term care planning makes this a logical time for employers to consider a private long term care insurance plan.



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