



# Tax-deferred to Tax-free for LTC: With Three easy questions! Long-Term Care Annuities

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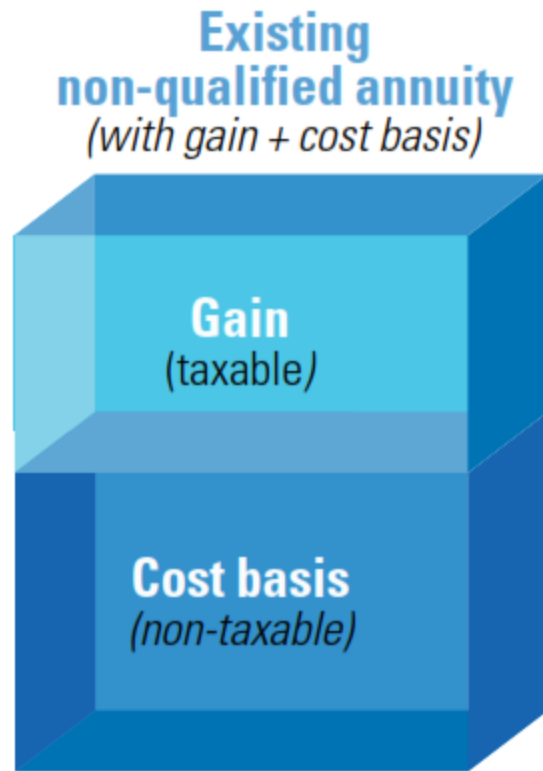
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# Three Simple Questions:

- Do you have clients with old annuities outside of surrender that they aren't using for income? YES
- Do they currently have an LTC plan in place today? NO
- Do you think your client would be interested, in avoiding paying taxes on the gain and receiving lifetime LTC benefits? YES

# Pension Protection Act (PPA)

*Effective Jan. 1, 2010*



# The opportunity

*And ideal scenarios*

Any client with  
an existing  
annuity not  
earmarked for  
income and  
who currently  
has no care  
plan in place

Clients 70-85 with  
“old” annuities

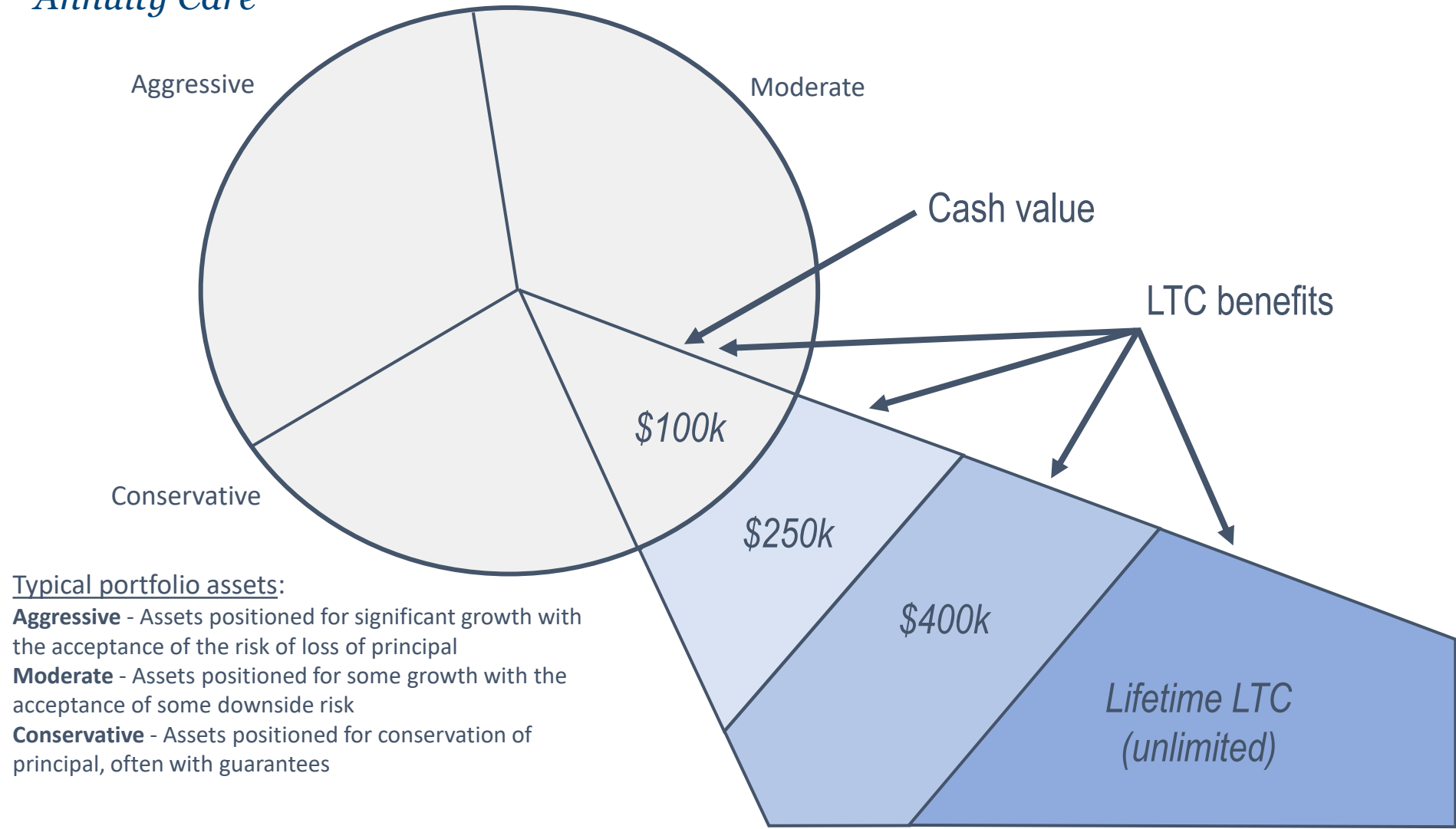
Clients holding  
annuities when  
income isn’t  
needed

Clients who are  
not exposed to  
PPA benefits

Clients with health  
issues

# Concept of Annuity-based LTC

## *Annuity Care*



# Hypothetical case study #1

*Female, age 70*

May have various health issues that could eliminate her from a life-based LTC plan

\$100K in existing nonqualified annuity or cash fund

No need for an income stream other than care

Potential care need, protection and guarantees are priority

Cash value growth is secondary to creating leverage for care

All numeric examples and any individuals shown are hypothetical and were used for explanatory purposes only. Actual results may vary.



# Annuity Care II

## Specifications

COB Rider is **INCLUDED**

Single: 24 month base  
Joint: 30 month base

- Ages: 40-80
- Deferred, fixed annuity
- Single: 24 months for LTC
- Joint: 30 months for LTC
- Cash premium/1035 exchange – LTC benefits are tax-free
- Tele-interview required because COB Rider is included
- Monthly internal charges taken to pay for rider



36-month rider

- Ages: 40-80
- Non-cancelable premiums
- Optional inflation protection
- Paid for with monthly internal charges from the base policy

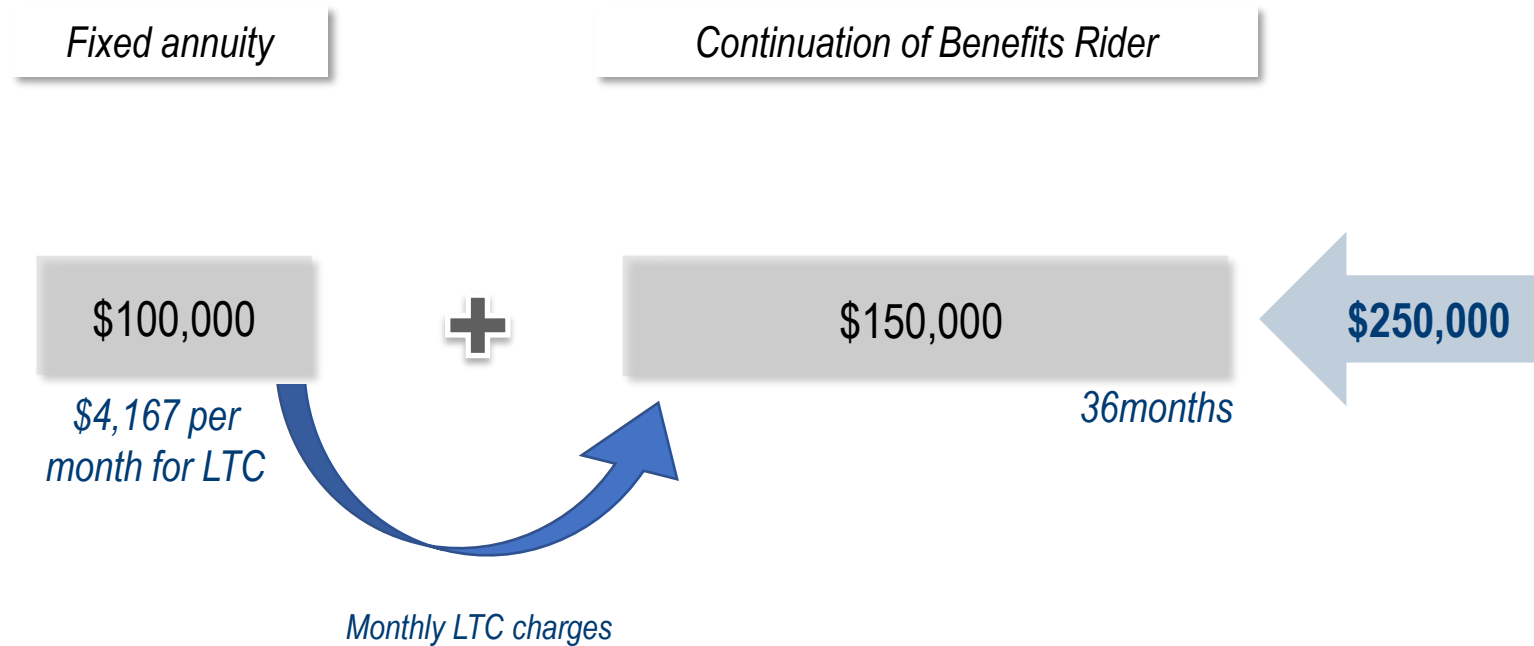
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# Annuity Care II example

*Female, age 65*





# Annuity Care II example

## *Guaranteed illustration*

### Guaranteed Interest Rates

End of Contract Year	Age	Accumulated Value	Cash Surrender Value	LTC Accumulated Value	COB Balance	Total LTC Balance*	LTC Monthly Benefit
1	66	\$99,721	\$90,746	\$99,970	\$149,955	\$249,925	\$4,165
2	67	\$99,440	\$91,484	\$99,970	\$149,955	\$249,925	\$4,165
3	68	\$99,155	\$92,214	\$99,970	\$149,955	\$249,925	\$4,165
4	69	\$98,868	\$92,936	\$99,970	\$149,955	\$249,925	\$4,165
5	70	\$98,578	\$93,650	\$99,970	\$149,955	\$249,925	\$4,165
6	71	\$98,286	\$94,354	\$99,970	\$149,955	\$249,925	\$4,165
7	72	\$97,990	\$95,050	\$99,970	\$149,955	\$249,925	\$4,165
8	73	\$97,691	\$95,737	\$99,970	\$149,955	\$249,925	\$4,165
9	74	\$97,390	\$96,416	\$99,970	\$149,955	\$249,925	\$4,165
10	75	\$97,085	\$97,085	\$99,970	\$149,955	\$249,925	\$4,165
15	80	\$95,515	\$95,515	\$99,970	\$149,955	\$249,925	\$4,165
20	85	\$93,866	\$93,866	\$99,970	\$149,955	\$249,925	\$4,165
25	90	\$92,132	\$92,132	\$99,970	\$149,955	\$249,925	\$4,165
30	95	\$90,310	\$90,310	\$99,970	\$149,955	\$249,925	\$4,165
35	100	\$88,394	\$88,394	\$99,970	\$149,955	\$249,925	\$4,165
40	105	\$86,382	\$86,382	\$99,970	\$149,955	\$249,925	\$4,165
45	110	\$84,266	\$84,266	\$99,970	\$149,955	\$249,925	\$4,165
50	115	\$82,042	\$82,042	\$99,970	\$149,955	\$249,925	\$4,165

\* Includes LTC Accumulated Value and Continuation of Benefits Balance. Values do not reflect partial surrenders.

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# Annuity Care case study

*Female, age 81*

Age, health issues or tax adversity from funding source has eliminated her from a life-based LTC plan

\$125K in existing nonqualified annuity or cash fund

Client unable/unwilling to generate income for COB but wants lifetime

Potential care need, safety and guarantees are priority

Unable to place indexed annuities outside of broker dealer or client uncomfortable with indexing

# Annuity Care

## Specifications

### 36-month base

- Ages: 50-85
- Single or joint
- Deferred, fixed annuity
- Cash value growth
- 36-month payout for LTC
- Cash premium/1035 exchange – LTC benefits are tax-free
- Qualified money – LTC benefits are taxable (possible deduction)
- No tele-interview for base-only contract



### 36-month rider

OR

LIFETIME

- Ages: 50-85
- Single premium, 10-pay, 20-pay, continuous pay
- Non-cancelable premiums
- Optional inflation protection
- Additional 36 months
- Lifetime (unlimited)
- Single pay rider and base policy can be funded together with a 1035 exchange
- Continuation of Benefits Rider requires tele-interview

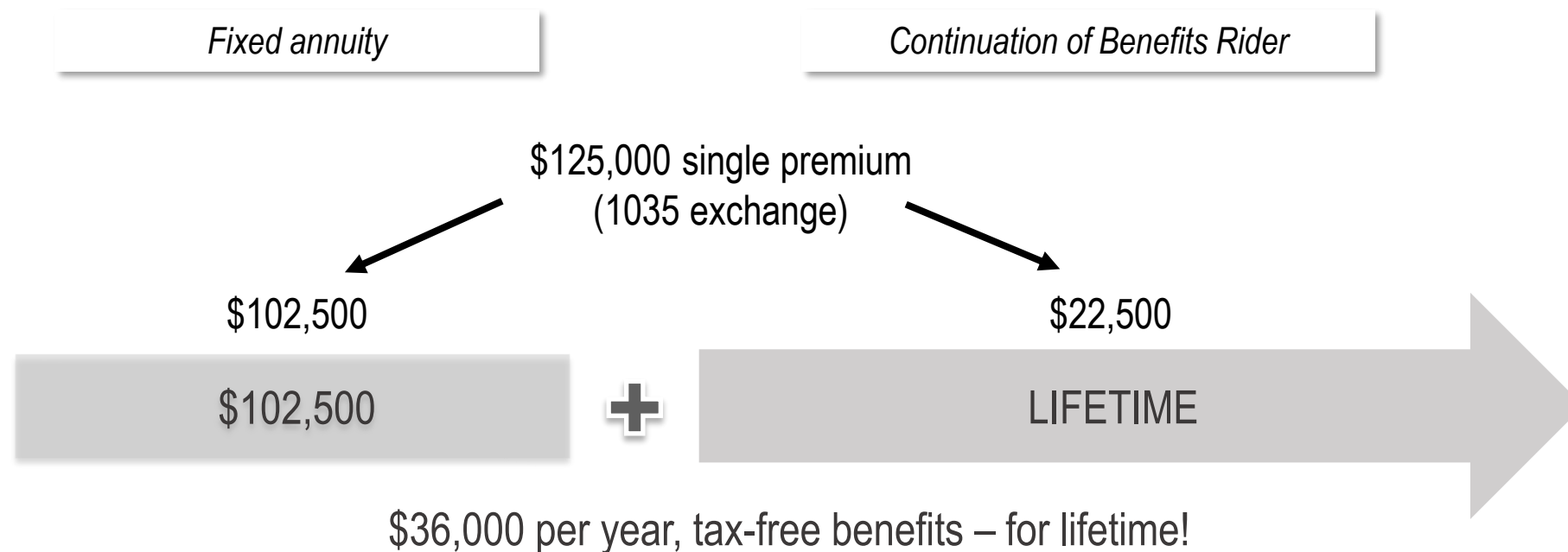
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# Annuity Care example

*Female, age 81, has \$125k in an existing NQ annuity with a 3% interest rate*



What kind of interest rate or income rider would she have to receive to provide her with \$36,000 per year on her \$125,000 annuity?

# 29%

# Guaranteed illustration

## *Hypothetical example*

### Guaranteed Interest Rates

End of Contract Year	Age	Accumulated Value	Cash Surrender Value	LTC Accumulated Value	LTC Monthly Benefit Limit
1	82	\$103,722	\$95,424	\$104,132	\$3,018
2	83	\$104,759	\$96,379	\$105,798	\$3,067
3	84	\$105,807	\$97,342	\$107,491	\$3,116
4	85	\$106,865	\$99,385	\$109,211	\$3,166
5	86	\$107,934	\$101,458	\$110,958	\$3,216
6	87	\$109,013	\$103,562	\$112,068	\$3,248
7	88	\$110,103	\$105,699	\$113,189	\$3,281
8	89	\$111,204	\$107,868	\$114,320	\$3,314
9	90	\$112,316	\$110,070	\$115,464	\$3,347
10	91	\$113,439	\$113,439	\$116,618	\$3,380
15	96	\$119,226	\$119,226	\$122,567	\$3,553
18	99	\$122,839	\$122,839	\$126,281	\$3,660

**Guaranteed assumptions:** Accumulated Value 1.20% in year 1, 1.00% in years 2 and thereafter; LTC Accumulated Value 1.60% in years 1 through 5, 1.00% in years 6 and thereafter.

# Annuity-based LTC

## *Underwriting*

**1** *No paramedical exam*

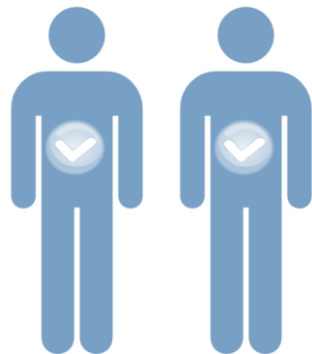
**3** *Brief phone interview if rider is added*

**2** *No attending physician's statements*

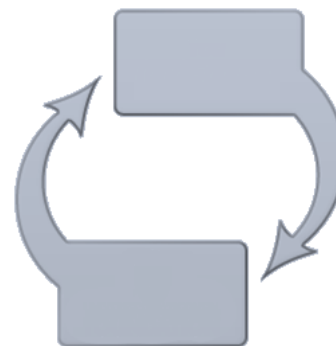
**4** *No tele-interview for base policy only*

# By the way

## *1035 Exchange*



**Eligible person**  
provides spousal  
coverage by 1035  
exchanging an existing  
annuity in one  
spouse's name



**Transfer annuity**  
creates an opportunity  
to use partial 1035  
exchange when  
transferring company  
will not do partial





Q&A SESSION

# **LTC planning for younger clients**

# Asset Care Recurring Premium

*Cash premium payments (Pay to 95, 5 pay, 10 pay, 20 pay)*

**\$1,437**

Cash – write check  
Pay to 95 premium

**\$50,000**

Life Insurance Death Benefit

**\$ 18,000**

**Lifetime**

Long-term care annually  
Lifetime for each person

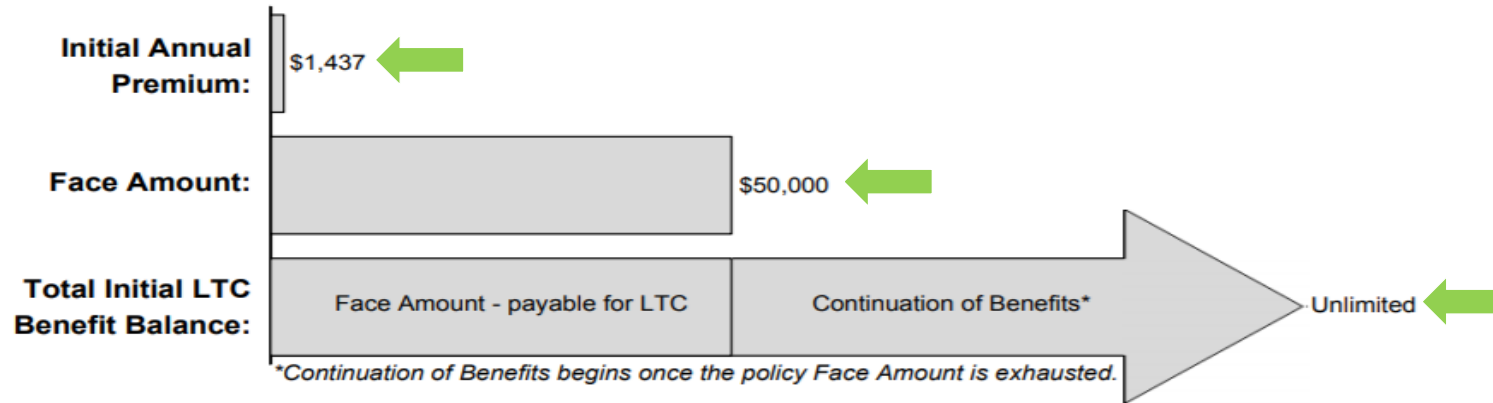
- \$1,500 month (*per person*)
- \$18,000 year (*each*)

# AGE 45 – POLICY NUMBER 1

State: IN

Prepared for: Male Client  
Male, 45  
Class: Non-Tobacco

Female Client  
Female, 45  
Class: Non-Tobacco



**Initial LTC Benefit Limit, Per Individual:**

\$1,500 Monthly  
\$18,000 Annually

**Initial LTC Benefit Limit, For One or Both Individuals\*\*:**

\$3,000 Monthly (\$1,500 per person)  
\$36,000 Annually (\$18,000 per person)

\*\*If both insured receive long-term care benefits at the same time, the long-term care benefit will last for a shorter period of time than if only one insured receives long-term care benefits.

## **Premiums:**

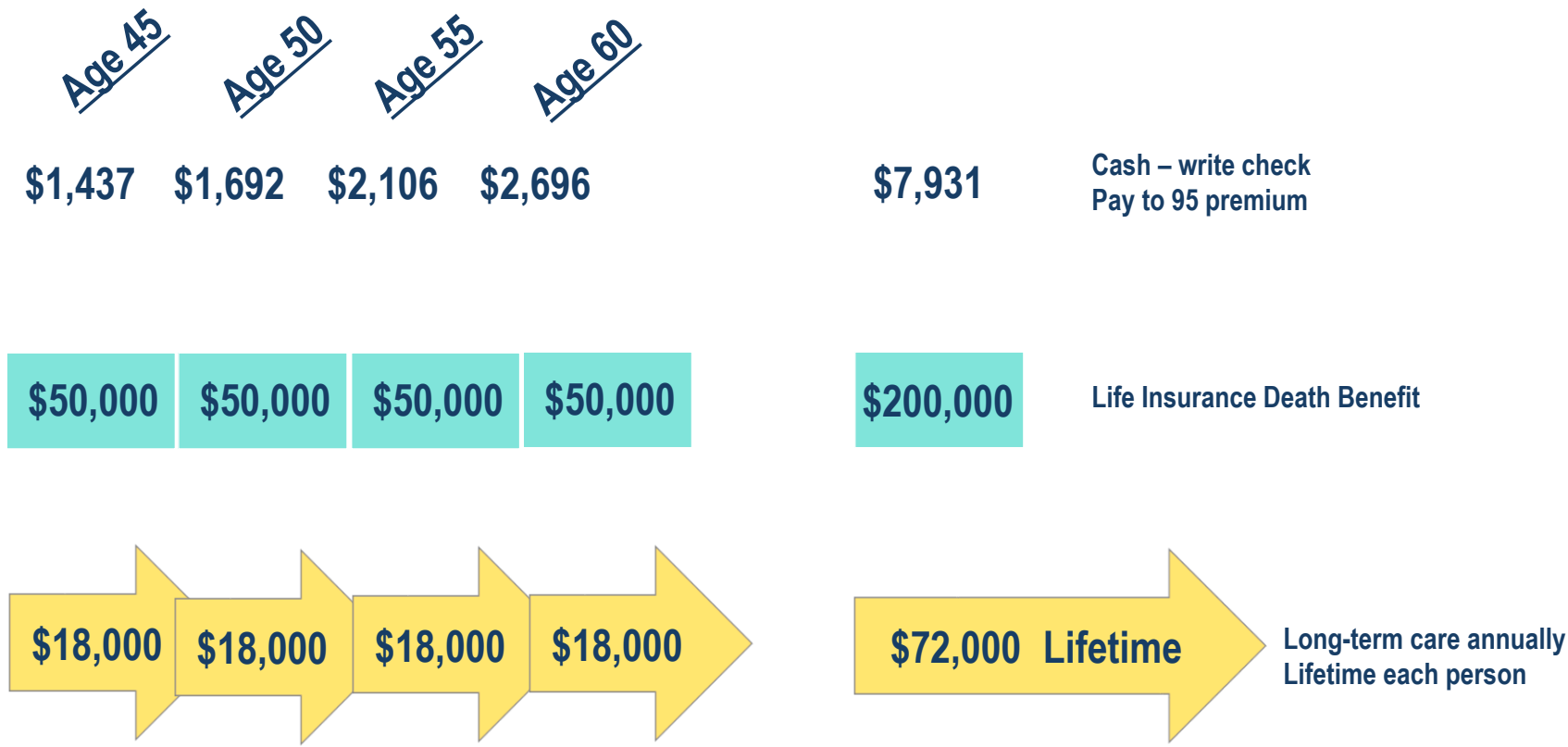
Annual Life Premium - \$927  
Annual LTC Premium - \$510  
Total Initial Premium - \$1,437

## **Features and Benefits:**

Benefit Period - 33 Months AOB<sup>1</sup> / Lifetime COB<sup>2</sup>  
Inflation Option - 0% AOB<sup>1</sup> / 0% COB<sup>2</sup>  
Inflation Duration - N/A  
Premium guaranteed to never increase  
Guaranteed Cash Value  
Waiver of Premium

# Asset Care Recurring Premium - Aggregated

*Cash premium payments (Pay to 95, 5 pay, 10 pay, 20 pay)*



# Asset Care Recurring Premium – Age 60

*Cash premium payments (Pay to 95, 5 pay, 10 pay, 20 pay)*

**\$10,384**

Cash – write check  
Pay to 95 premium

**\$200,000**

Life Insurance Death Benefit

**\$ 72,000**

**Lifetime**

Long-term care annually  
Lifetime for each person

- \$6,000 month (*per person*)
- \$72,000 year (*each*)

Difference of \$2,453 annually



# STAGGERING LTC POLICIES

## Current issue:

- Most don't discuss until older age where health may be a factor
- Other planning takes precedence
  - College funding
  - Retirement income planning
  - Accumulation / investment management
- May not be affordable for full benefit

## Possible Solution:

- Staggering policies allows for coverage early (something is better than nothing)
- Affordability now while saving for college, retirement, paying mortgage, etc.
- Incrementally adding more over several years
- Potentially saving premiums in later years while being covered now
- Conditions the client to purchase the next time
- Avoids sticker shock



Q&A SESSION