Using pre-tax dollars to pay for long-term care

Thanks to SecureCare Universal Life's (SecureCare) unique policy design, clients may be able to use a health savings account (HSA) to help fund a portion of their premium. And for some, using pre-tax dollars to help pay for future long-term care (LTC) needs could be a powerful tool.

Prospecting points:

- SecureCare offers four powerful guarantees — death benefit, LTC cash indemnity benefit, reduced paid-up benefit[1] and return of premium[2] — that might make it a good fit for prospects who tend to be financially risk-averse when considering potential care needs.
- Older prospects may be strong candidates for this strategy as age-based limits increase with age.
- Individuals who are still working and contributing to their HSA may be especially good prospects, as a well-funded HSA is a critical component of this strategy.

How it works:[3]

Howard, age 67
HSA account with $35,000
$105,000 SecureCare policy
$15,000 annual premium for 7 years

Howard	Minimum death benefit[4]	Monthly LTC benefit	Total LTC benefits available
Day 1	$93,849	$3,910	$303,527
Age 80	$93,849	$5,743	$445,739

As a linked-benefit product, there are two parts to a SecureCare premium:

the life insurance portion and the tax-qualified LTC portion. We believe the agreements in the LTC portion are included in the definition of an HSA's qualified medical expenses.

1. Reduced paid-up benefits refers to the reduced paid-up nonforfeiture benefit that purchases paid-up insurance in the event of premium lapse.
2. Upon surrender, the policy owner will receive the surrender value proceeds. The surrender value proceeds may not equal the sum of premiums paid. Surrenders are subject to a return of premium vesting schedule. Policies that are fully vested are eligible for a full return of all premiums paid.
3. This is a hypothetical example for illustrative purposes only.
4. Minimum amount paid income tax free to Howard 's beneficiaries if he dies before he needs LTC. The amount paid will be reduced by any terminal illness benefit payments, premium due, partial surrenders, and any indebtedness.

Let's take a closer look at Howard's annual $15,000 premium:

Annual premium	$15,000	
Face amount (base life insurance)	$9,593	**Non-deductible (life portion)**
Total premium combined from all LTC agreements	$5,407	**Deductible (LTC portion)**

The LTC portion of the SecureCare premium — in this case, $5,407 — may be considered a qualified medical expense, which means Howard can use his HSA to pay for it, up to the age-based limitations set by the IRS:

Attained-age before the close of the taxable year	2019 limit	2020 limit
40 or less	$420	$430
41-50	$790	$810
51-60	$1,580	$1,630
61-70	$4,220	$4,350
71+	$5,270	$5,430

Source: IRC Section 213(d)(1)(D)

Howard will pay the $15,000 annual premium each year by writing two checks: one from his HSA for the age-based limit amount, and one from his personal checking account (for the remainder of the LTC portion and for the life insurance base policy).

Howard's age	Premium paid from HSA (age-based limit)	Premium paid out-of-pocket
67 years	$4,350	$10,650
68 years	$4,350	$10,650
69 years	$4,350	$10,650
70 years	$4,350	$10,650
71 years	$5,470	$9,530
72 years	$5,470	$9,530
73 years	$5,470	$9,530
Total	**$33,810**	**$71,190**

Howard would pay approximately 32 percent of his total SecureCare premium with pre-tax dollars.

Contact us today

to customize a proposal that helps address a prospect's top LTC concerns:

1-888-900-1962 (Independent Distribution)

1-877-696-6654 (Securian Financial and Broker-Dealer)

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods.

Insurance policy guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

SecureCare may not be available in all states. Product features, including limitations and exclusions, may vary by state.

SecureCare Universal Life Insurance includes the Acceleration for Long-Term Care Agreement. The Acceleration for Long-Term Care Agreement and Extension of Long-Term Care Benefits Agreements are tax-qualified long-term care agreements that cover care such as nursing care, home and community based care, and informal care as defined in these agreements. These agreements provide for the payment of a monthly benefit for qualified long-term care services. These agreements are intended to provide federally tax-qualified long-term care insurance benefits under Section 7702B of the Internal Revenue Code, as amended. However, due to uncertainty in the tax law, benefits paid under these agreements may be taxable.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under this policy. Clients should consult a tax advisor regarding long-term care benefit payments, terminal illness benefit payments, or when taking a loan or withdrawal from a life insurance contract.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for, the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

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