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Caring for your aging parents

Table of Contents

Caring for Your Aging Parents 4

 What is it? 4

 Start planning 4

 What kind of advice will you need? 4

 What kinds of support and community services will you need? 5

 Financial and tax considerations for you 7

 Questions & Answers 8

Do Your Parents Need Long-Term Care Insurance? 9

 Long-term care: the odds against it aren't long at all 9

 The cost of long-term care isn't low, either 9

 Help is on the way 9

 Who most likely needs the help? 9

If Long-Term Care Insurance Isn't for You: Other Options 11

 You saved for a rainy day--it's here 11

 Did you hear? Medicaid pays for long-term care 11

 Life insurance--it's not just for estate planning anymore 11

 Get paid to live in your home 11

Medicaid Planning Basics 12

 Eligibility for Medicaid depends on your state's asset and income-level requirements 12

 Medicaid planning can help you meet your state's requirements 12

 One way to shelter countable assets is to exchange them for exempt assets 12

 Irrevocable trusts can help you leave something for your loved ones 13

 If you're married, an annuity can help you provide for your healthy spouse 13

 Beware of certain Medicaid planning risks 13

Understanding Long-Term Care Insurance 15

 What is long-term care? 15

 Why you need long-term care insurance (LTCI) 15

How does LTCI work? 15

Comparing LTCI policies 15

What's it going to cost? 16

Tax Tips: Long-Term Care Insurance 17

 You may be eligible for an income tax deduction 17

 The amount of your deduction depends on a few factors 17

 Watch out--your long-term care insurance benefits may be taxable 18

Long-Term Care Planning Checklist 19

Caring for Your Aging Parents

What is it?

Caring for your aging parents is something you hope you can handle when the time comes, but something you probably hope you never have to do. Caring for your aging parents means helping them plan for the future, and this can be overwhelming, both physically and emotionally. When the time comes for you to take care of your parents, you may be certain of only two things: Your parents need you, and you need help.

Start planning

Talk to your parents about the future

Start caring for your aging parents by talking with them about their needs and wishes if they are able. In some cases, however, they may not be willing to talk to you about their future, either because they are afraid to face it or because they resent your interference. If this is the case, you may need to do as much planning as you can without them, or, if their safety or health is in danger, step in as caregiver anyway.

Prepare a personal data record

The first step you should take is to ask your parents to help you prepare a personal data record (if they are unable to help you, you'll have to search for the information yourself). A personal data record is a document that lists information that you might need in case your parents become incapacitated or die. Information that should be included is financial information, legal information, medical information, insurance information, and information regarding professional advisors and the location of important records.

Example(s): When Marcia and her mother prepared a personal data record, Marcia realized that her mother did not have a durable power of attorney or health care proxy in case she became incapacitated and could not make decisions about her medical care. The next day, Marcia made an appointment with her mother's lawyer to discuss this issue.

Get advice

You can't know everything, and you probably don't have enough time to learn everything you need to know to care for your parents. That's why you should seek advice from professionals. Some advice will be free, and some you will have to pay for. If you live far from your parents or are too overwhelmed to handle all your parents' affairs, you can hire a geriatric care manager who will evaluate your parents' situation, suggest options, and coordinate professionals who can help. In addition, talk to your employer. Some employers have set up employee assistance programs that offer advice and assistance to people who are dealing with personal challenges, including caring for aging parents.

Get support

Don't try to care for your parents alone. Many local and national caregiver support groups and community services are available to help you cope with caring for your aging parents. If you don't know where to start finding help, call the Eldercare Locator, an information and referral service sponsored by the federal government that can direct you to resources available nationally or in your area. Call the Eldercare Locator at (800) 677-1116.

What kind of advice will you need?

Housing and health care advice

If your parents are like many older individuals, where they live will depend upon how healthy they are. As your parents grow older, their health may deteriorate so much that they can no longer live on their own. At this point,

you may need to find them in-home health care or health care within a retirement community or nursing home. On the other hand, you may want them to move in with you. For a detailed discussion of housing options, see *Housing Options for Older Individuals*. In addition, you will need information on managing the cost of health care, long-term care insurance, major medical insurance, Medicare, and Medicaid.

Contact:

- National Association for Home Care
- Visiting Nurse Associations of America
- Centers for Medicare & Medicaid Services (formerly known as the Health Care Financing Administration)
- American Association of Homes and Services for the Aging
- American Association of Retired Persons (AARP)
- Health Insurance Association of America

Financial advice

If your parents need help managing their finances, you may need to contact professionals whose advice both you and your parents can trust, including one or more of the following individuals or organizations.

Contact:

- Your financial planner
- Your banker
- Your investment counselor
- Your tax attorney
- The Social Security Administration

Legal advice

Legal advisors can help you plan for your parents' incapacity (including preparing documents such as power of attorneys, medical directives, and living wills), contact nursing home ombudsmen, set up and monitor guardianship, prepare wills, give tax advice, and provide bill payment and representative payee assistance. For information on these topics, see *Planning for Incapacity*. Many states provide funds for the delivery of free legal services to the elderly and many attorneys specialize in elder law, so finding legal advice shouldn't be difficult.

Contact:

- Your attorney
- National Association of State Units on Aging
- American Bar Commission on the Legal Problems of the Elderly
- Legal Counsel for the Elderly

What kinds of support and community services will you need?

Caring for your aging parents will be easier if you know what kinds of support and community services are available and where to locate them. The following is a list of the kinds of support and community services you can find locally and nationally, along with specific suggestions of who to contact for information. For other useful information and a more comprehensive list of organizations you can contact for help, see *When You Need Help: Community Resources for Older Individuals*.

Adult day care

If you need to work or run errands and you can't leave your parents alone, consider using adult day care. These programs are located in hospitals, churches, temples, nursing homes, or community centers. Many are private nonprofit organizations. Adult day care can be expensive but is sometimes subsidized by the government, and fees may be based on a sliding scale. In addition, Medicare, Medicaid, long-term care insurance, or your health insurance may pay part of the cost.

Contact:

- Your local senior center or community center
- National Institute on Adult Day Care
- The Alzheimer's Association

Caregiver support groups (self-help)

Many self-help groups are available to provide information and emotional support on broad topics (such as aging) or specific topics (such as heart disease). You may find these support groups helpful if you know little about caring for your aging parents. Such groups might also provide an opportunity to help others by sharing your experiences.

Contact:

- The Alzheimer's Association
- Children of Aging Parents
- National Self-Help Clearinghouse

Caregiver training/health education

You may feel better about taking care of your parents if you are armed with knowledge. You may want to complete first-aid courses or take classes in gerontology.

Contact:

- Your local college or university
- Your local hospital
- The American Red Cross

Geriatric assessment

If you are uncertain of your parent's mental or physical capabilities, ask his or her doctor to recommend somewhere you can take your parent to undergo an assessment. These assessments can be done at hospitals or clinics. Your parent will be evaluated to determine his or her capabilities. The evaluation determines whether the individual can take care of himself or herself on a day-to-day basis, including such things as bathing, dressing, eating, using the telephone, doing housework, and managing money. Based on this evaluation, you and your parent will receive advice regarding care options.

Contact:

- Your doctor
- Your lawyer
- The National Association of Professional Geriatric Care Managers
- Aging Network Services

Respite care

When you are caring for your aging parents, you may feel guilty or even resentful because you don't have limitless energy. Taking care of your parents is hard work, however, and everyone needs a break once in a while. If you are caring for your aging parents, look into respite care. Medicaid may pay for some respite-care services.

Contact:

- Your doctor
- Your local hospital
- The Alzheimer's Association
- National Association for Home Care

Financial and tax considerations for you

Caring for your aging parents is not only an emotional burden for you but may be a financial one as well, depending upon how well off your parents are and how much caring for them costs. Because many adults today are becoming first-time parents in their thirties, and others are remarrying and rearing second families, increasing numbers of adults are finding themselves in the "sandwich generation." They face having to pay expenses of growing children (including college expenses), plan for their own retirement, and support their aging parents financially. Thus, it's important to plan not only your parents finances, but your own as well.

Financial planning for your parents

Making sure that your parents won't outlive their money is a critical step in ensuring that your own finances will remain sound. In particular, you'll need to make sure that your parent is receiving all the benefits to which he or she is entitled and that his or her money is invested wisely. You'll also need to create a financial profile for your parents, a statement that includes income, expenses, and net worth. For information on how to do this, see Budgeting. If, after considering your parent's financial condition, it's clear that they won't have enough resources to pay for their own care, you'll need to find ways to supplement their income. You may need to look at Supplemental Security Income (SSI), for instance, or ask other relatives for help. You'll also have to determine how much financial support you can give your parents (see below).

Financial planning for you

Besides caring for your parents, you have a lot of other financial obligations. Before you can determine the best way to help your parents financially, you'll have to look at your own financial picture. Not only will you need to consider your current expenses, but you'll have to look down the road a few years, considering how much you'll need to save for your own retirement and, perhaps, for your child's education. For more information on this subject, see Saving for College and Retirement and Determining Your Retirement Income Needs.

Tip: Due to the complexities inherent in providing adequately for several generations in the same family, consider seeking the advice of a financial professional.

Tax benefits for children supporting aging parents

Federal income tax law provides several tax benefits to you if you are supporting your parents financially. If you have a dependent care account at work, you can put pretax dollars into the account that you can use to pay for some costs associated with caring for your dependent parents. You may be able to claim an exemption for your parents as dependents, and you may be entitled to claim a dependent care credit. In addition, you may be able to file your taxes as head of household and deduct medical expenses you paid for your parents. For more information, see Deductions and Exemptions and Child and Dependent Care Tax Credit, and consult your tax advisor.

Questions & Answers

If you are financially supporting your parent, is he or she entitled to receive Social Security benefits based on your earnings?

If you are providing at least one-half of your parent's support at the time of your death, and he or she is age 62 or over and is not entitled to a retirement benefit that is equal to or larger than the amount he or she would receive based on your earnings record, then he or she may be entitled to receive a parent's Social Security benefit equal to 82.5 percent of your primary insurance amount (PIA). For more information, see Social Security Survivor's Benefits and the Lump-Sum Death Benefit.

Do Your Parents Need Long-Term Care Insurance?

We live in an age of medical miracles. People live longer than ever before, and life expectancies are increasing at a steady rate. This means that many of us will be fortunate enough to still have our parents with us as we ourselves reach retirement age. As our parents age, however, their health may decline, and the greater the chance becomes that they will require home care, nursing home care, or other assisted-living arrangements.

Long-term care: the odds against it aren't long at all

Maybe you think that you'll be the lucky one, that your parents won't need long-term care, but the statistics aren't all that encouraging. According to the Administration on Aging, approximately 40 percent of individuals over age 65 will require some type of long-term care services during their lifetime. (Source: The National Clearinghouse for Long-Term Care Information, 2008.) And with life expectancies increasing at a steady rate, this figure can be expected to grow in the years to come.

The cost of long-term care isn't low, either

Long-term care can also be expensive. What's more, Medicare, Medigap, managed-care programs like health maintenance organizations, and indemnity medical insurance plans don't pay for long-term nursing home care or for assisted living. Although Medicaid, a state-administered federal welfare program, will cover the costs of long-term care, your parents must be legitimately impoverished to be eligible for it.

If they're not prepared, your parents might find their lifetime savings and their assets quickly depleted by the cost of paying for long-term health care. As their child, you'll want to help them protect those assets (and your own inheritance) from being eroded by long-term care costs. One solution to this dilemma might be long-term care insurance (LTCI).

Help is on the way

Generally, LTCI helps pay for the care of an individual who can no longer independently perform the basic activities of daily living, such as bathing, dressing, eating, and toileting, due to a cognitive disorder, illness, or injury. A comprehensive policy will cover skilled, intermediate, and custodial care in a variety of settings, including nursing homes, assisted-living facilities, adult day-care centers, or the insured's own home.

The cost of LTCI policies can vary widely, depending on many factors, including the coverage selected and the age and health of your parents. The younger and healthier they are, the less expensive the insurance will be--but the longer they might pay for it before they really need it.

Who most likely needs the help?

Deciding whether to purchase LTCI will take some careful consideration. LTCI might be right for a parent if at least some of the following criteria apply:

- He or she is between the ages of 40 and 84
- There's a family history of Alzheimer's disease
- He or she has significant assets to preserve as an inheritance or to gift to charity
- He or she has an income from employment or investments in addition to Social Security
- The cost of the premiums will not exceed 5 to 7 percent of your parent's annual income (or yours, if you're paying the premiums)

- He or she is healthy enough to be insurable

If Long-Term Care Insurance Isn't for You: Other Options

Long-term care insurance (LTCI) isn't for everyone. Not only is it expensive and sometimes hard to qualify for, but there's no guarantee you'll ever use the benefits. But if you decide not to buy LTCI, what are your alternatives?

You saved for a rainy day--it's here

Should the need arise, you could use your personal savings to pay for long-term care (self-insurance). If you choose this option, you'll have to estimate how much money you might need to cover long-term care expenses and start an appropriate savings plan. And though there's a good chance that the amount you'll have to put aside each month to cover future medical expenses will equal (or exceed) what you'd pay in LTCI premiums, buying LTCI is not an option in some cases (e.g., if a pre-existing condition prevents you from qualifying for coverage). Keep in mind, however, that if you do choose to self-insure, there's always the chance that your savings won't be enough to cover your actual long-term care expenses.

Did you hear? Medicaid pays for long-term care

Medicaid is a government-sponsored program that pays for medical treatment. People with low incomes who are elderly, disabled, or blind may be eligible if they meet the financial and medical requirements. These eligibility decisions are primarily based on:

- Income
- Net worth
- Need for nursing or custodial care

In most states, Medicaid subsidizes care in nursing facilities and at home (for those who meet Medicaid guidelines). Unfortunately, meeting Medicaid's financial requirements is difficult. Many people are forced to exhaust their life savings to qualify for Medicaid. A comprehensive LTCI policy may prevent this from happening.

Life insurance--it's not just for estate planning anymore

If you have a cash value life insurance policy, familiarize yourself with the rules on policy loans and cash withdrawals. Most policies allow you to access your cash value in one of these ways, but the amounts may be limited, and there may be interest and tax consequences. Also, find out if your policy allows you to use part of the death benefit for medical expenses or long-term care while you are alive. (Policies with an accelerated benefits rider typically allow this.) Should you become terminally ill, you may also have the option to sell your life insurance policy to a viatical settlement funding company and use the money to pay for your care. You will typically get 40 to 85 percent of the policy's face value from a viatical settlement.

Get paid to live in your home

If you own your home outright or have a lot of equity in your home, you could consider a reverse mortgage. Basically, a reverse mortgage gives the lender a lien (or mortgage) on your home, and you receive either a lump sum or prearranged monthly payments. You typically don't have to repay the loan as long as you live in the home. However, if you move or if the house is sold, the loan must be repaid out of the proceeds of the sale. A reverse mortgage can be an easy source of cash, but it could also complicate matters if you plan on leaving your home to your heirs.

Medicaid Planning Basics

Unfortunately, many nursing home residents end up exhausting their assets on long-term care. But it doesn't have to be that way. The best time to plan for the possibility of nursing home care is when you're still healthy. By doing so, you may be able to pay for your long-term care and protect assets for your loved ones. How? Through Medicaid planning. You worked hard all of your life to pay off your mortgage and build a retirement fund. You expected to live off your savings in the comfort of your own home, and you planned to leave something to your kids at the appropriate time. Suddenly, the unthinkable happens--you suffer a stroke at age 70 and must spend the rest of your years in a nursing home. What will happen to your life savings?

Eligibility for Medicaid depends on your state's asset and income-level requirements

Medicaid is a joint federal-state program that provides medical assistance to various low-income individuals, including those who are aged (i.e., 65 or older), disabled, or blind. It is the single largest payer of nursing home bills in America and is the last resort for people who have no other way to finance their long-term care. Although Medicaid eligibility rules vary from state to state, federal minimum standards and guidelines must be observed.

In addition to you meeting your state's medical and functional criteria for nursing home care, your assets and monthly income must each fall below certain levels if you are to qualify for Medicaid. However, several assets (which may include your family home) and a certain amount of income may be exempt or not counted.

Medicaid planning can help you meet your state's requirements

To determine whether you qualify for Medicaid, your state may count only the income and assets that are legally available to you for paying bills. Medicaid planning helps you devise ways of making your assets and income inaccessible. Over the years, attorneys have developed several strategies to rearrange finances and legally shelter assets from the state. These strategies--and the Medicaid rules themselves--can be complicated, especially since the passage of the Deficit Reduction Act of 2005, which significantly tightened restrictions on Medicaid planning. You should consult an experienced elder law attorney if you wish to take steps to protect your assets from the state.

Along with qualifying you for Medicaid benefits, Medicaid planning seeks to accomplish the following goals:

- Sheltering your countable assets
- Preserving assets for your loved ones
- Providing for your healthy spouse (if you're married)

Let's look at these in turn.

One way to shelter countable assets is to exchange them for exempt assets

Countable assets are those that are not exempt by state law or otherwise made inaccessible to the state for Medicaid purposes. The total value of your countable assets (together with your countable income) will determine your eligibility for Medicaid. Under federal guidelines, each state compiles a list of exempt assets. Usually, this list includes such items as the family home (regardless of value), prepaid burial plots and contracts, one automobile, and term life insurance.

Through Medicaid planning, you can rearrange your finances so that countable assets are exchanged for exempt assets or otherwise made inaccessible to the state. For example, instead of spending your savings solely on

nursing home bills, you can pay off the mortgage on your family home, make home improvements and repairs, pay off your debts, purchase a car for your healthy spouse, and prepay burial expenses.

There are many other ways to shelter countable assets. Consult an experienced attorney for more information.

Irrevocable trusts can help you leave something for your loved ones

Why not simply liquidate all of your assets to pay for your nursing home care? After all, Medicaid will eventually kick in (in most states) once you've exhausted your personal resources. The reason is simple: You want to assist your loved ones financially. You want to be able to leave something to them, rather than to strangers.

There are many ways to protect assets for your loved ones. One way is to use an irrevocable trust. (It's irrevocable in the sense that you can't later change its terms or decide to end it.) Property placed in an irrevocable trust will be excluded from your financial picture, for Medicaid purposes. If you name a proper beneficiary, the principal that you deposit into the trust (and possibly any income generated) will be sheltered from the state and can be preserved for your heirs. Typically, though, the trust must be in place and funded for a specific period of time for this strategy to be an effective Medicaid planning tool.

For information about Medicaid planning trusts, consult an experienced attorney.

If you're married, an annuity can help you provide for your healthy spouse

Nursing homes are expensive. If you must go to one, will your spouse have enough money to live on? With a little planning, the answer is yes. Here's how Medicaid affects a married couple. A couple's assets are pooled together when the state is considering the eligibility of one spouse for Medicaid. The healthy spouse is entitled to keep a spousal resource allowance that generally amounts to one-half of the assets. This may not amount to much money over the long term.

A healthy spouse may want to use jointly owned, countable assets to buy a single premium immediate annuity to benefit himself or herself. Converting countable assets into an income stream is a plus because each spouse is entitled to keep all of his or her own income, in contrast to the pooling of assets. By purchasing an immediate annuity in this manner, the institutionalized spouse can more easily qualify for Medicaid, and the healthy spouse can enjoy a higher standard of living.

Be aware, however, that for annuities purchased on February 8, 2006 and thereafter (the date of enactment of the Deficit Reduction Act of 2005), the state must be named as the remainder beneficiary of the annuity after your spouse or a minor or disabled child.

Beware of certain Medicaid planning risks

Medicaid planning is not without certain risks and drawbacks. In particular, you should be aware of look-back periods, possible disqualification for Medicaid, and estate recoveries.

When you apply for Medicaid, the state has the right to review, or look back, at your finances (and those of your spouse) for a period of months before the date you applied for assistance. In general, a 60-month look-back period exists for transfers of countable assets for less than fair market value (for transfers made prior to February 8, 2006, there's a look-back period of 60 months for transfers into an irrevocable trust and a look-back period of 36 months for all other transfers). Transfers of countable assets for less than fair market value made during the look-back period will usually result in a waiting period before you can start to collect Medicaid. So, for example, if you give your house to your kids the year before you enter a nursing home, you'll be ineligible for Medicaid for quite some time. (A mathematical formula is used.)

Note: Some states must amend their laws to implement the changes to Medicaid under the Deficit Reduction Act of 2005. In these states, the date the new rules will go into effect may be different than the federal enactment date of February 8, 2006. Ask an elder law attorney in your state for more information.

Also, you should know that Medicaid planning is more effective in some states than in others. In addition, federal law encourages states to seek reimbursement from Medicaid recipients for Medicaid payments made on their behalf. This means that your state may be able to place a lien on your property while you are alive, or seek reimbursement from your estate after you die.

Understanding Long-Term Care Insurance

It's a fact: People today are living longer. Although that's good news, the odds of requiring some sort of long-term care increase as you get older. And as the costs of home care, nursing homes, and assisted living escalate, you probably wonder how you're ever going to be able to afford long-term care. One solution that is gaining in popularity is long-term care insurance (LTCI).

What is long-term care?

Most people associate long-term care with the elderly. But it applies to the ongoing care of individuals of all ages who can no longer independently perform basic activities of daily living (ADLs)--such as bathing, dressing, or eating--due to an illness, injury, or cognitive disorder. This care can be provided in a number of settings, including private homes, assisted-living facilities, adult day-care centers, hospices, and nursing homes.

Why you need long-term care insurance (LTCI)

Even though you may never need long-term care, you'll want to be prepared in case you ever do, because long-term care is often very expensive. Although Medicaid does cover some of the costs of long-term care, it has strict financial eligibility requirements--you would have to exhaust a large portion of your life savings to become eligible for it. And since HMOs, Medicare, and Medigap don't pay for most long-term care expenses, you're going to need to find alternative ways to pay for long-term care. One option you have is to purchase an LTCI policy.

However, LTCI is not for everyone. Whether or not you should buy it depends on a number of factors, such as your age and financial circumstances. Consider purchasing an LTCI policy if some or all of the following apply:

- You are between the ages of 40 and 84
- You have significant assets that you would like to protect
- You can afford to pay the premiums now and in the future
- You are in good health and are insurable

How does LTCI work?

Typically, an LTCI policy works like this: You pay a premium, and when benefits are triggered, the policy pays a selected dollar amount per day (for a set period of time) for the type of long-term care outlined in the policy.

Most policies provide that certain physical and/or mental impairments trigger benefits. The most common method for determining when benefits are payable is based on your inability to perform certain activities of daily living (ADLs), such as eating, bathing, dressing, continence, toileting (moving on and off the toilet), and transferring (moving in and out of bed). Typically, benefits are payable when you're unable to perform a certain number of ADLs (e.g., two or three).

Some policies, however, will begin paying benefits only if your doctor certifies that the care is medically necessary. Others will also offer benefits for cognitive or mental incapacity, demonstrated by your inability to pass certain tests.

Comparing LTCI policies

Before you buy LTCI, it's important to shop around and compare several policies. Read the Outline of Coverage portion of each policy carefully, and make sure you understand all of the benefits, exclusions, and provisions. Once you find a policy you like, be sure to check insurance company ratings from services such as A. M. Best,

Moody's, and Standard & Poor's to make sure that the company is financially stable.

When comparing policies, you'll want to pay close attention to these common features and provisions:

- **Elimination period:** The period of time before the insurance policy will begin paying benefits (typical options range from 20 to 100 days). Also known as the waiting period.
- **Duration of benefits:** The limitations placed on the benefits you can receive (e.g., a dollar amount such as \$150,000 or a time limit such as two years).
- **Daily benefit:** The amount of coverage you select as your daily benefit (typical options range from \$50 to \$350).
- **Optional inflation rider:** Protection against inflation.
- **Range of care:** Coverage for different levels of care (skilled, intermediate, and/or custodial) in care settings specified in policy (e.g., nursing home, assisted living facility, at home).
- **Pre-existing conditions:** The waiting period (e.g., six months) imposed before coverage will go into effect regarding treatment for pre-existing conditions.
- **Other exclusions:** Whether or not certain conditions are covered (e.g., Alzheimer's or Parkinson's disease).
- **Premium increases:** Whether or not your premiums will increase during the policy period.
- **Guaranteed renewability:** The opportunity for you to renew the policy and maintain your coverage despite any changes in your health.
- **Grace period for late payment:** The period during which the policy will remain in effect if you are late paying the premium.
- **Return of premium:** Return of premium or nonforfeiture benefits if you cancel your policy after paying premiums for a number of years.
- **Prior hospitalization:** Whether or not a hospital stay is required before you can qualify for LTCI benefits.

When comparing LTCI policies, you may wish to seek assistance. Consult a financial professional, attorney, or accountant for more information.

What's it going to cost?

There's no doubt about it: LTCI is often expensive. Still, the cost of LTCI depends on many factors, including the type of policy that you purchase (e.g., size of benefit, length of benefit period, care options, optional riders). Premium cost is also based in large part on your age at the time you purchase the policy. The younger you are when you purchase a policy, the lower your premiums will be.

Tax Tips: Long-Term Care Insurance

Your chances of requiring some sort of long-term care increase as you age, and long-term care insurance (LTCI) can help you cover your long-term care expenses. Although tax issues are probably not foremost in your mind when you buy LTCI, it still pays to consider them. In particular, you should explore whether your premiums will be deductible and your benefits taxable.

You may be eligible for an income tax deduction

You may be able to deduct all or part of the LTCI premiums you pay for yourself, your spouse, or a dependent, but only if your policy meets the IRS criteria for a qualified policy. If you bought the policy before January 1, 1997, and it met the requirements of the state where it was issued, it is automatically considered a qualified policy. If you bought the policy later, it must satisfy several requirements to be considered qualified.

First of all, the policy must provide coverage only for qualified long-term care services. These include necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, as well as maintenance or personal care services that are required by a chronically ill individual, in connection with a plan of care prescribed by a licensed health-care practitioner. Also, your policy must satisfy the following conditions:

- It must be guaranteed renewable, meaning that you can renew your policy as needed without undergoing additional medical exams
- It must not have a cash surrender value or any provision that allows you to cash in, pledge, assign, or borrow against the policy, or receive anything more than a refund of premiums paid if you cancel the policy
- It must provide that any refunds and dividends (other than refunds upon termination of the policy) can be used only to reduce future premiums or increase future benefits
- It must not pay for (or reimburse) expenses that are reimbursable under Medicare, unless Medicare is a secondary payer, or unless the policy pays a specified amount per day regardless of actual expenses
- It must meet certain consumer protection requirements set out in the Internal Revenue Code

The amount of your deduction depends on a few factors

If your LTCI policy meets the conditions listed above, or if it was issued before January 1, 1997, at least part of your premium may be tax deductible as a medical expense. To qualify for a medical expense deduction, your unreimbursed medical expenses (including LTCI premiums) must exceed 7.5 percent of your adjusted gross income. Also, you must itemize your deductions.

The maximum amount of LTCI premiums that you can deduct in a year depends on your age at the end of the year. In 2009, deduction limits (which are indexed each year for inflation) are as follows:

Age	Limit on Deduction
40 or younger	\$320
41 to 50	\$600
51 to 60	\$1,190
61 to 70	\$3,180

71 or older	\$3,980
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Watch out--your long-term care insurance benefits may be taxable

A qualified LTCI contract is treated as an accident and health insurance contract, and the benefits are typically treated as tax free. However, if your contract pays a set dollar amount per day (per diem), the tax-free treatment is subject to a certain limit, indexed annually for inflation. Benefits over and above this limit are generally considered taxable income.

Under this limit, the amount of your LTCI benefits that is excluded from taxation in a given period is figured by subtracting any reimbursement received (through insurance or otherwise) for the cost of qualified long-term care services during the period from the larger of the following amounts:

- The actual cost of qualified long-term care services during the period
- The dollar amount for the period (\$280 per day for any period in 2009)

It's a different story if you have a nonqualified LTCI policy, though. Such benefits may be subject to income tax.

Long-Term Care Planning Checklist

General information	Yes	No	N/A
1. Has relevant personal information been gathered? • Name • Date of birth • Legal state of residence • Health status, including medications being taken • Marital status • Family members available for support • Name, phone number, and address of attorney, physician, geriatric care manager or other advisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Has financial situation been assessed? • Income from Social Security, pension, employment, or other source • Expenses • Assets • Liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
Long-term care planning	Yes	No	N/A
1. Is the need for long-term care imminent?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Are assets sufficient to cover long-term care needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Have ways to fund long-term care been reviewed/evaluated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. If homeowner, has home equity as a use of funds been discussed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Are long-term care insurance benefits available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Have various housing options and their costs been considered? • In-home care • Living with a relative • Continuing care retirement community • Assisted living • Nursing home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
Insurance planning	Yes	No	N/A

1. Is adequate health insurance available? • Medicare • Medigap • Private health insurance • Prescription plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Have Medicaid planning goals and strategies been considered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Has Medicaid qualification criteria been discussed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the need for long-term care insurance been established?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Is long-term care insurance coverage available to the client?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Have existing long-term care insurance policies been reviewed/evaluated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Does long-term care insurance coverage need to be upgraded?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Do long-term care benefits need to be accessed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
Estate planning	Yes	No	N/A
1. Has long-term care planning been coordinated with estate planning needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Have appropriate estate planning documents been prepared? • Will • Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Have advanced medical directives been prepared? • Durable power of attorney • Living will • Health-care proxy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Have letters of instruction been prepared?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Has this information been communicated to family members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
Other	Yes	No	N/A

1. Has the need for organizing important documents and records been discussed?

- Bank account records (statements and passbooks)
- Monthly bills to be paid
- Stock certificates, bonds, and other investment records
- Retirement plan statements
- Real estate deeds, mortgages, and other property ownership records
- Vehicle titles
- Business agreements
- Insurance policies
- Will, trust, advanced medical directives, letters of instruction, and other documents
- Birth certificate, marriage certificate, divorce decree, military service papers

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Notes:



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