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LTC Update

A Look at Some Advantages of Group Long Term Care Insurance

*By Vivian P. Gallo, CLU, CSA**

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Group long term care insurance has advantages for both the employee and employer. Groups are often able to negotiate benefits and based on the size of the group, may enjoy lower premiums. The larger the group's size, the greater the economies of scale.

The over age 50 population is becoming more aware of long term care issues and how they affect us both as individuals and as families. We face with increasing frequency and duration, long term care situations of co-workers, friends and families. Medical and technological advancements have increased our life spans, but not necessarily the "quality of life" in these extended years. We are now also seeing the growing impact that long term care has on businesses' "bottom line."

A national study conducted by AARP in 1997 indicated that:

- ❖ 80 % of working caregivers experience emotional stress
- ❖ 50% report financial stress
- ❖ 40% are absent from work regularly
- ❖ 33% report leaving work early
- ❖ 14% report having reduced work hours.

We have seen a steady increase in the number of women and dual income families in the work force in recent years. Is it any surprise that the number of employees taking time off to care for family members is spiraling upward? To address this major business concern, employers who elect to pay some or all of the costs of Long Term Care Insurance (LTCI), may find long term care insurance to be a very desirable group benefit.

Long term care insurance helps provide the resources for needed care and assistance, allowing employees to refocus energies and concentration on work place responsibilities. This in turn helps reduce the number of and the need for sick and family leave requests. These changes mean more employees have or share caregiver and care coordinator responsibilities. As more people turn to long term care insurance to help provide these services, employees use of company time and resources to manage and coordinate long term care needs should diminish.

Another advantage of employer sponsored LTCI plans is the fact that in addition to providing coverage to employees, the group offering may be extended to include family members such as spouses, parents, grandparents, in-laws, and children. At the employer's option, the offer can be extended to include retirees.

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Large employer groups can offer LTCI plans that are paid for entirely by the employees, and still receive “*negotiated premium discounts*”. These “*negotiated discounts*” are not available to individuals or couples outside a group sponsored offering. But best of all, is the fact that once policies are issued based on “*negotiated premium discounts*”, as long the individual pays his/her premium on a continuous basis, the discounts continue even after the employee leaves or changes employers!

Simplified underwriting (i.e., more lenient medical screenings) can be a strong advantage to employers and employees, depending on the size of the group. It can be a definite incentive for people with existing health issues who might have difficulty purchasing long term care insurance on their own. For business owners interested in insuring themselves and their spouses, there are advantages to offering coverage to employees as well. There are fewer participation and contribution requirements for employers than with group medical insurance, thus allowing employers a greater degree of selectivity in offering this benefit to the work force. As an employee benefit, offering LTCI can create a benefit package that favorably impacts employee retention and attracts new employees as well.

In addition to the potential group premium discounts and underwriting differences, there are also **tax advantages to be considered.**

Individuals - may deduct Long Term Care Insurance premiums that are subject to floor of 7.5% of income. Limits will vary according to the age of the consumer. But, **Benefits on Tax Qualified policies are generally TAX FREE!**

Self Employed - may deduct up to 100% of age-based annual LTC premiums. Included in the definition of self-employed are sole proprietorships, partnerships, “greater than 2% shareholders” of S-Corporations or Limited Liability Corporations.

Partnerships - If the employee does not own more than 2% interest in the partnership, the entire qualified LTC insurance premium for the employee, their spouse and dependents is deductible by the business, if paid for by the business, and not included in the employee’s income.

If the employee owns more that 2% interest in the partnership, he is considered to be a self-employed person.

C-Corporations owners reap the following advantages:

- ❖ can deduct 100% of all Tax Qualified LTCI premiums as a business expense for all employees, their spouses and dependents;
- ❖ Employer’s contributions toward the cost of premium are not included in the employee’s taxable income; and
- ❖ Benefits are **TAX FREE!**

Maximum Deductions for Tax Qualified LTCI Premiums**	
Attained Age Before Close of Year	2010**
71 and older	\$4,110
61 to 70	\$3,290
51 to 60	\$1,230
41 to 50	\$ 620
40 or under	\$ 330

**This article was originally written in 2005. We have updated the Tax Deduction information for the CHOICES Website in 2010

To learn more about Group LTCI call us at (914) 472-2223

* Vivian P. Gallo is a CLU (Chartered Life Underwriter) and Certified Senior Advisor (CSA), specializing in long-term care insurance. She is not a tax consultant or attorney, however, and cannot provide tax or legal advice. Please consult your accountant, tax preparer or attorney on all tax planning and legal matters.

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