Efficient Funding of Long Term Care Insurance Premiums

The Clients: Mary & Joe, Ages 56 and 58, Married, Working, Assets in Excess of $500,000

The Situation: Mary & Joe recently saw a news article highlighting the rising cost of long term care in their area. The article also outlined average median costs in the United States:

Annual Costs

Home Care (Licensed, Non-Certified)	$42,328
Assisted Living Facility (Private One-Bedroom)	$33,903
Nursing Home (Semi-Private Room)	$66,850
Nursing Home (Private Room)	$74,208

Doing some research, they found a link to the Genworth 2009 Cost of Care Survey detailing costs for local services and showing how these costs will increase over the years. Mary was very concerned about how to adequately plan for the high likelihood that they would need long term care services in the future, so they contacted their agent, Roger, for help.

The Strategy: Roger checked out Genworth's Let's Talk website for tools and ideas to help educate Mary and Joe. They discussed their different options for funding long term care and the benefits of having a solid portfolio protection strategy in place.

A Solution: After listening to Mary and Joe's concerns, and analyzing the pros and cons of different strategies Roger recommended they purchase a shared long term care insurance policy from the Genworth Financial companies:

- Given their good health and married status, the policy cost $4,158 per year.[1]
- During their portfolio review, Roger identified a non-qualified CD (not needed for income) available to fund the policy.

For added convenience and security, Roger recommended using the CD assets to purchase an immediate annuity from the Genworth Financial companies to fund the long term care insurance policy.

- He explained that the SPIA income payments can automatically pay the LTC insurance premiums each year to ensure the policy stays in force for life.
- He also mentioned that, beginning in 2010 (thanks to the Pension Protection Act), income payments from a SPIA can fund, federal income tax free, a long term care insurance policy (see IRC section 1035).[2]

Thus, using a SPIA to fund long term care insurance premiums creates not only a tax-efficient funding solution, but also a convenient way to help protect their lifestyle and portfolio from the high costs of long term care.

Summary of Roger's Recommendation:

Non-qualified Assets in CD $72,359 ▶ **Immediate Annuity, Featuring "Life with Cash Refund" Payout Option — Genworth Life Insurance Company** | **Pays $4,158 Each Year** ▶ **Long Term Care Insurance Shared Plan — Genworth Life Insurance Company**

[1] For illustrative purposes assumes issue ages 56 & 58, 6 year Privileged Choice® shared plan, preferred health discount, $6,000 monthly benefit maximum, 90 day elimination period, 5% compound inflation, policy form series 7044.

[2] SPIA payments directly funding long term care will be considered a partial assignment of the SPIA contract in a 1035 exchange.

Immediate annuity payments do not guarantee continuing long term care insurance coverage as long term care insurance premiums may increase over time.

50007 11/18/09

Additional Features of SecureLiving® Income Provider

- When the Life with Installment or Cash Refund payout option is elected at issue, total payouts are guaranteed to be no less than the original premium.
- Provide your clients with a tax-efficient solution to help fund long term care insurance; beginning in 2010 income payments will not be taxed when used to directly fund long term care insurance premiums through a 1035 exchange.

Questions to Begin the Conversation

- Have you researched the cost of long term care services in your area or where you plan on retiring? Do you have a plan to protect your assets and cover the cost of long term care?
- Do you own any low yielding CDs or money market accounts, that may be used to purchase a fixed immediate annuity to fund the cost of long term care premiums in a tax-advantaged manner?
- Did you know that two-thirds of people over age 65 will need long term care insurance in their lifetimes, but many Americans have not proactively planned for long term care costs?*

* AARP Public Policy Institute (2007). "Long-Term Care Trends"

Contact Your General Agent For More Information

Agency Name
Agent Name
Agent Phone Number
Agent Email
Agency Web Address

Single premium fixed immediate annuities are issued by Genworth Life and Annuity Insurance Company, Richmond, VA and Genworth Life Insurance Company, Lynchburg, VA and in New York, Genworth Life Insurance Company of New York, 666 Third Avenue, 9th Floor, New York, NY 10017.

SecureLiving® Income Provider and Income Provider NY are Genworth Life and Annuity Insurance Company, Genworth Life Insurance Company and Genworth Life Insurance Company of New York's policy form numbers GNWNY6024, GNW6024, P1872, GEC6012 et. al., GNWLA6012 and GENY-8010. Not available in all states and markets. Features and benefits may vary by state.

Genworth Life and Annuity Insurance Company and Genworth Life Insurance Company are licensed in all states except New York. Only Genworth Life Insurance Company of New York is licensed in New York.

All guarantees are based on the claims-paying ability of the issuing insurance company.

This is a brief product summary. Please refer to marketing materials and the contract for more complete product information.

The discussion of tax treatments in this material is the Genworth Financial companies' interpretation of current tax law and is not intended as tax advice. Your clients should consult the contract and a tax professional.

Fixed Immediate Annuities Issued by

Genworth Life and Annuity Insurance Company,
Genworth Life Insurance Company &
Genworth Life Insurance Company of New York