



Welcome to FPA's Virtual Learning Center

We will begin today's program at 2:00 PM Eastern.

"LTC Tax Basics & Planning Opportunities"

If you have joined this event early, we invite you to sit back, relax and learn about other upcoming FPA Educational Opportunities.

Thank you for your continued support of FPA and the Virtual Learning Center.
We hope you enjoy today's program.



About Today's Program:

Upon completion of the course, the participant will be able to explain how Long Term Care Insurance policies can meet the financial and estate planning and preservation needs of their clients. Attendees will understand simple planning techniques that can benefit their clients who might not have a clear understanding of the pros and cons of various options available to them.



Join FPA for these Upcoming VLC Events!

Friday, April 25, 2008 (2-3 PM ET)

Engagement Standards: Mastering Ideal Client Relationships

Presented by: Tracey Beckes

VLC Track: Practice Management

Wednesday, April 30, 2008 (2-3 PM ET)

The Boomer-Rang Long Term Care Effect on Your Family's Life

Presented by: Peter Gelbwaks

VLC Track: Current Events



FPA Retreat 2008

Join us for FPA Retreat 2008!

Retreat is not your average conference — it is as much about connecting and conversation as it is about advanced education and pushing the boundaries of financial planning.

May 31-June 4, 2008 in Fort Lauderdale, FL.

<http://www.fpanet.org/retreat/>



LTC Tax Basics & Planning Opportunities

Bill Dyess, CLTC
Gelbwaks Ins. Services,
Inc

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HIPAA

“Health Insurance Portability & Accountability Act of 1996”

- **Tax-Qualified LTCi**
 - LTCi = Health insurance
 - Contracts dated before 1/1/97 grandfathered. (w/o “material” change)
- **Non-TQ**
 - Any policy issued after 1/1/97 that does NOT meet HIPAA TQ guidelines.

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HIPAA

- **Tax-free benefits**
- **Tax-deductible premiums**

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Tax-Free Benefits

- **Guaranteed for TQ plan.**
- **Reimbursement**
 - 100%, no limit
- **Indemnity**
 - Up to \$270/day or actual expenses if greater (2008 - Indexed)
- **1099-LTC**

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LTC Tax Basics

- **IRC Section 7702B (HIPAA)**
- **§213 Medical expenses**
 - **When *care* is deductible**
 - **“Chronically III”**
 - **“Qualified” LTC insurance**
 - **Benefits when “Chronically III”**
 - **Premium = medical expense**
 - **w/limits for individuals**

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“Chronically III”

- **Help with 2 physical activities:**
 - **Bathing, dressing, transferring, eating, toileting, continence**
 (“Activities of Daily Living” – ADLs)
 - **Must be expected to last 90 days.**
- **Supervision for mental limitation**
 - **Dementia, Alzheimer’s**
 (“Cognitive Impairment”)

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“Qualified” LTCi

IRC Section 7702B (HIPAA)

Health insurance, §213

- **Premium deduction potential**
(NO effect on benefit taxability)
 - **Limited for individuals**
 - **Sched. A med. expense > 7.5% of AGI**
 - **+\$ limits, age-based “Eligible” prem.**

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“Eligible” Premium

- **INDIVIDUAL**

- **Age-based limits**
- | | (2007) | (2008) |
|-----------------|---------|---------|
| • 40 or younger | \$ 290 | \$ 310 |
| • 41 to 50 | \$ 550 | \$ 580 |
| • 51 to 60 | \$1,110 | \$1,150 |
| • 61 to 70 | \$2,950 | \$3,080 |
| • 71 or older | \$3,680 | \$3,850 |
- **Itemize as un-reimbursed medical exp.**
 - **Subject to 7.5% of AGI floor**
 - **< 4.5% of all tax payers** (IRS)

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Biz-Paid LTCi

For NON-Owners:

- 100% premium deduction (NO limit).
- Premium NOT income to EE.
- Benefits remain tax-free
- Spouses too
- ANY biz type

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Biz-Paid LTCi

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Owners:

C-corp owner/EE (W-2)

- Or PC/LLC taxed as “regular” corp

– See EE to left

Self-employed

- Sole prop, partner, S-corp, LLC taxed as
- Ltd. Deduction, but “above-the-line” 1040 p.1

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Biz Deduction Mechanics

- **Sole Proprietorship**
 - **Non-owner employee (& spouse)**
 - **Schedule C expense, employee benefit**
 - No premium limit
 - No income to employee
 - **Owner (& spouse)**
 - **Premium should be paid by business**
 - **Included in income as a “draw”**
 - **Deduction on Form 1040, p.1**
 - Self Employed Health Insurance Deduction
 - Limited to age-based, Eligible amount

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Biz Deduction Mechanics

- **Partnership**
 - **Non-owner employee (& spouse)**
 - **Employee benefit expense to partnership**
 - No premium limit
 - No income to employee
 - **Partner (& spouse)**
 - **Premium must be paid by partnership**
 - **“Guaranteed Payment,” income on K-1**
 - **Deduction on Form 1040, p.1**
 - Self Employed Health Insurance Deduction
 - Limited to age-based, Eligible amount

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Biz Deduction Mechanics

- **S-Corporation**
 - **Non-owner employee (& spouse)**
 - **Employee benefit expense to corporation**
 - No premium limit
 - No income to employee
 - **>2% Shareholder/Employee (& SP)**
 - **Premium must be paid by corporation**
 - **Included as income on W-2**
 - **Deduction on Form 1040, p.1**
 - Self Employed Health Insurance Deduction
 - Limited to age-based, Eligible amount

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Biz Deduction Mechanics

- **Regular, C-Corporation**
 - **Non-owner employee (& spouse)**
 - **Employee benefit expense to corporation**
 - No premium limit
 - No income to employee
 - **Shareholder/Employee (W-2) (& SP)**
 - **Employee benefit expense to corporation**
 - No premium limit
 - No income to shareholder/employee

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Business Advantages

- **Tax leverage**
- **Group premium discounts**
 - 5%-10%
- **Underwriting concessions**
 - “Simplified” issue
 - Starting @ 3-employees
 - Spouses too @ 10 lives
- **Carve-out**
 - Combine with voluntary or buy-ups

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