



Long Term Care Strategies

BY BRIAN CATALE

I have been working with retirees for many years. We are working in conjunction with independent living communities, assisted living communities, nursing homes, rehabilitation communities, and hospitals. Most likely, we have helped more than one family in communities from Erie to West Virginia and Beaver to State College and everywhere in between. We guide families through the sequence of events that they are encountering.

One problem that would come up over and over again is Long-Term Care Insurance Contracts. I would hear the same thing... "I purchased the policy when I was 60 years old, and I paid \$2,000 per year. By the time I turned 80, my premium was \$5,000 a year. By age 82, I could not afford it any longer, so I dropped the coverage." \$40,000 to \$60,000 of premiums... gone. The shame of it all, in most cases when the clients turned 84 or 85 years of age, the coverage was needed or they passed away and all was lost anyway.

We work with our clients on Long-Term Care Alternatives. The best in my opinion is a hybrid vehicle focused on wealth transfer with living benefits. If you don't need the coverage, someone in your family will receive the funds. This is how it works. Let's say a female client, 62 years of age with average health has:

- \$500,000 IRA Retirement Account
- \$100,000 Bank accounts, CD's Money Markets
- \$75,000 Annuity - cost base of \$45,000

We would:

- 1035 exchange the \$75,000 Annuity\$75,000
- Withdraw \$25,000 from the Money Market.....\$25,000
- Withdraw \$7,500 for 10 years from the IRA, every year 1,500 goes to taxes
- Taxes over 10 years\$15,000
- \$6,000 into the new account (after taxes) \$60,000
- over 10 year period
- Value of Account\$160,000

This is what we just did. Of the \$75,000 Annuity, we don't have to pay taxes on the \$35,000, from the interest made in the annuity because of the exemption in the tax code stating if we transfer funds from an annuity to a contract that is setup for Long-Term Care Coverage, the taxes will be exempt. From the IRA money, we have to pay the taxes, but remember what we withdrew, \$7,500. \$1,500 went to Uncle Sam to pay the taxes. \$6,000 went into the new account. That is only 1.5% of the interest on the \$500,000 IRA. $\$500,000 \times .05\% = \$25,000 - \$7,500 = \$18,000$ of the interest stays in the IRA account or is taken for income, but watch the magic.

\$160,000 turns into \$380,000 of In-home care, Long-Term care, Assisted Living Coverage, or Terminal Illness Coverage. If the Client does not use it for care, then \$380,000 is a tax-free death benefit to their children or grandchildren. No Federal, State, Local, or PA Inheritance Taxes.

Did I mention that of your original \$160,000, you can get every cent back if you want it? This is called Return of Premium.

A key note to remember, this will have insurance charges every year, but after the insurance charges, we see a .05% growth. So $\$160,000 \times .05 = \$8,000$. Not only will the \$160,000 cash value increase, but the coverage also increased about 2 to 1. Example: \$8,000 Cash increased, coverage will increase by about \$15,000, by the time my 62 year old client is 82, she will have \$800,000 to \$1,000,000 of coverage. How much did she start with? \$160,000. We do this with all amounts of assets if you have a smaller portfolio than you need our help sooner. If you remember anything today, you will be paying taxes and medical expenses until you die. With 8,000 to 10,000 baby boomers retiring every day, do you think taxes and medical expenses will increase or decrease?

For more information, contact Brian Catale & Associates at 910 Sheraton Drive, Suite 240, Mars, PA 16046, call: (724) 591-8475 or toll-free, call: (800) 794-0929 or visit Bcatale.com. ■

Brian Catale is known for Wealth Preservation and Retirement Strategies. At Operation Veteran Benefits and Brian Catale and Associates, We have been able to help hundreds of healthcare professionals with strategies and techniques



L to R, Tim Wheeler, Billie Jo Richman, Lanell Kimmel, Brian Catale, Kimberly Catale and Jody Catale

that no other advisors have been able to accomplish before. You may have seen Brian and his team in your place of work. They are helping your patients, parents, family members, and friends. You may have also heard Brian on Pittsburgh Talk Radio on his show, Wisdom Keys for Retirement. Brian and his team have been able to compile an effective system to assist in the complete retirement planning stages, from when to start your first social security check, to disinheriting the government at your death.