



Comprehensive Financial Planning Includes Long-Term Care Insurance

Hans and Tom use the following document in the video entitled “Comprehensive Financial Planning Includes Long-Term Care Insurance”.

COMPREHENSIVE FINANCIAL PLANNING INCLUDES LONG-TERM CARE INS

S.S. <input type="checkbox"/>	FIRST MONEY USED TO PAY THE MONTHLY BILL	<ul style="list-style-type: none">- LTC EVENT WILL IMPACT ALL OTHER FINANCIAL DISCUSSION + DECISION- ALMOST ZERO DEMAND LTC- COMPROMISE YOUR ABILITY TO GET THROUGH A DAILY ROUTINE- PRICE IS ONLY AN OBJECTION IN THE ABSENCE OF VALUE	<ul style="list-style-type: none">- SUDDEN NEED FOR \$60,000 TO \$120,000 ANNUAL INCOME	INCOME <input type="checkbox"/>
MED <input type="checkbox"/>	<ul style="list-style-type: none">- PAYS VERY LITTLE LTC- MOSTLY SKILLED ACUTE CARE	YOU FAMILY	<ul style="list-style-type: none">- REALLOCATION OF CASH FLOW	ESTATE <input type="checkbox"/>
LTC <input type="checkbox"/>	2 OF 6 ADL'S BATHING, DRESSING, EATING, TRANSFER, CONTINENCE, COGNITIVE IMPAIRMENT, TOILETING	<ul style="list-style-type: none">- SERIOUS. IF NOT IRREVERSIBLE CONSEQUENCES FOR YOUR FAMILY- TAKING CARE OF CHRONICALLY ILL MAKES HEALTH CAREGIVERS CHRONICALLY ILL.- TELL ME WHAT CHOICE YOUR KIDS WILL HAVE WHEN THEY GET THE CALL- MAKE SURE OUR CHILDREN NEVER HAVE TO PUT THEIR LIVES ASIDE- WHEN THERE IS NO PLAN, YOUR LOVED ONES BECOME THE PLAN	<ul style="list-style-type: none">- HYBRID LIFE/LTC- SECTION 844 OF PPA IRC 72(e)- SURVIVING SPOUSE	TAXES <input type="checkbox"/>
401K/IRA <input type="checkbox"/>	<ul style="list-style-type: none">- HYBRID LIFE/LTC PURCHASED WITH IRA MONEY- SELF FUNDING, DEplete IRA FIRST		<ul style="list-style-type: none">- IRC 7702 B- IRC 101(9)- TAX FREE LTC BENEFITS	

The information and opinions contained herein are provided by third parties and have been obtained from sources believed to be reliable, however, we make no representation as to its completeness or accuracy. The information is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. Content is provided for informational purposes only and is not a solicitation to buy or sell any products mentioned.

The IRS code section that defines **tax-qualified long-term care insurance** is **Internal Revenue Code (IRC) §7702B**.

Key Points from IRC §7702B:

- **Definition:** A long-term care insurance contract is considered **tax-qualified** if it meets the requirements laid out in §7702B(b).
- **Requirements include:**
 - The insurance must only provide coverage for **qualified long-term care services**.
 - The insured must be **chronically ill**, certified by a licensed health care practitioner as being unable to perform at least **two out of six activities of daily living (ADLs)** or requiring substantial supervision due to **cognitive impairment**.
 - The contract must be **guaranteed renewable**.
 - It must **not provide for a cash surrender value** or other money that can be borrowed or paid out (other than as refunds of premiums or benefits).
 - Any refund of premiums may not be used in a way that would violate the tax-qualified status.

Tax Benefits of a Qualified Policy:

- **Premiums** may be **tax-deductible**, subject to age-based limits (IRC §213).
- **Benefits received** are generally **tax-free** as long as they don't exceed the greater of actual expenses or IRS per diem limits.

The IRS code that allows **early (accelerated) payment of death benefits** from a **life insurance policy** for individuals who are **chronically ill** is **Internal Revenue Code (IRC) §101(g)**.

Key Highlights of IRC §101(g):

- **Accelerated Death Benefits:** Allows a portion of the death benefit to be paid out early—while the insured is still alive—if they are:
 - **Chronically ill** (as defined in IRC §7702B(c)(2)), or
 - **Terminally ill** (generally with a life expectancy of 24 months or less).
- For **chronically ill individuals:**
 - The insured must be certified by a licensed health care practitioner as being **unable to perform at least two of six ADLs** for at least 90 days, or requiring **substantial supervision** due to cognitive impairment.
 - The policy must meet the **requirements similar to tax-qualified long-term care insurance** under §7702B.
- **Tax Treatment:**
 - Accelerated death benefits for chronic illness are **excluded from gross income** (i.e., tax-free), provided they meet certain criteria, including per diem limits and use for qualified long-term care services.

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