THE ASSET-BASED LTC VS LIFE WITH RIDER DEBATE

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ASSET-BASED LTC

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THE THREE PRODUCT TYPES

LONG-TERM CARE EMPHASIS

TRADTIONAL LTC

Primary Focus:	LTC Funding
Premium:	Not Guaranteed
LTC Benefits:	Guaranteed
Liquidity:	None/Non-Forfeiture
Inflation Protection:	Yes

ASSET-BASED LTC

Primary Focus:	LTC Funding
Premium:	Guaranteed
LTC Benefits:	Guaranteed
Liquidity:	Guaranteed
Inflation Protection:	Yes

LIFE WITH LTC RIDER

Primary Focus:	Death Benefit
Premium:	May Not Be Guaranteed
LTC Benefits:	May Not Be Guaranteed
Liquidity:	Not Guaranteed
Inflation Protection:	No*

DEATH BENEFIT EMPHASIS

A QUICK LOOK AT THE NUMBERS: 10-PAY

- Most clients evaluating an Asset-Based product versus a Life Product are going to fund the strategy over multiple years.
- The most frequently sold recurring premium structures are:
  - 10-Pay: 25% +/-
  - Life-Pay: 56% +/-

10-Pay Product Comparison: Male | Age 60 | 3% Inflation | $10,000 Premium

Product Type	Monthly Benefit	Benefit Duration	Total LTC Pool	Cash Value	Death Benefit
Life w/ Rider: Protection IUL Guarantee Duration: Age 86	$6,342	50 Months	$317,084	$107,118	$317,084
Life w/ Rider: Protection IUL Guarantee Duration: Age 100	$4,039	50 Months	$201,970	$162,225	$201,970
Life w/ Rider: Guaranteed VUL Guarantee Duration: Age 120	$4,171	50 Months	$208,550	$168,205	$208,560
ABLTC: Life Chassis	$9,875	48 Months	$495,774	$98,688	$131,225
ABLTC: Annuity Chassis	$10,998	48 Months	$427,188	$112,340	$152,234

All values at client's attained age 80

Source of Funds Matters! Consider the total cost of funding inclusive of taxes.

THE THREE PRODUCT TYPES

A QUICK LOOK AT THE NUMBERS: 10-PAY

A QUICK LOOK AT THE NUMBERS: LIFE-PAY

CLIENT PROFILES

WHAT ABOUT CHRONIC ILLNESS RIDERS?

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A QUICK LOOK AT THE NUMBERS: LIFE-PAY

- Most clients evaluating an Asset-Based product versus a Life Product are going to fund the strategy over multiple years.
- The most frequently sold recurring premium structures are:
  - 10-Pay: 25% +/-
  - Life-Pay: 56% +/-

Life-Pay Product Comparison: Male | Age 50 | 3% Inflation | $5,000 Premium

Product Type	Monthly Benefit	Benefit Duration	Total LTC Pool	Cash Value	Death Benefit
Life w/ Rider: Protection IUL Guarantee Duration: Age 86	$10,067	50 Months	$503,350	$146,889	$503,350
Life w/ Rider: Protection IUL Guarantee Duration: Age 100	$7,744	50 Months	$387,210	$150,433	$387,210
Life w/ Rider: Guaranteed VUL Guarantee Duration: Age 120	$7,806	50 Months	$390,300	$235,120	$390,280
ABLTC: Life Chassis	$16,186	48 Months	$812,570	$100,851	$160,037

All values at client's attained age 80

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CLIENT PROFILES AND OTHER CONCERNS

Clients who are attracted to recuring premium structures:

- Typically have competing planning priorities
  - Saving for Retirement
  - College Funding
- Are Often Pre-Retirement: Most are between the ages of 55 and 64

Key Question: What happens if they stop paying premium?

- Life with Rider:
  - Likely have the ability to temporarily stop paying premiums
  - Product longevity will be impacted
  - Total Pool may be reduced depending on the product
- Asset-Based LTC:
  - Generally, not able to temporarily stop paying premiums
  - May offer a Reduced Paid-Up benefit based on premium paid to date
  - Some may lapse without value: Would be best to surrender and recoup any available cash value
- Newer Products on a VUL or IUL chassis may offer more flexibility

Don’t forget about 1035 Exchanges!

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WHAT ABOUT CHRONIC ILLNESS RIDERS?

- Premium Charge Chronic Illness Riders: A Distinction Without a Difference?
  - Explicit Premium Charge
  - Maximum Monthly Benefit Specified at Policy Issue
- What About the "Free" Riders?
  - Mortality Discounts
  - Lien Method
  - Bottom Line: These can be Expensive!

Lien Method

Initial Death Benefit: $ 500,000

Year	Acceleration Amount	Mortality Discount	Net Payment to Client	Cumulative Benefits	Interest Charge	Remaining Death Benefit
1	$ 100,000	$ -	$ 100,000	$ 100,000	$ -	$ 400,000
2	$ 100,000	$ -	$ 100,000	$ 200,000	$ 5,000	$ 295,000
3	$ 100,000	$ -	$ 100,000	$ 300,000	$ 10,000	$ 185,000
4	$ 100,000	$ -	$ 100,000	$ 400,000	$ 15,000	$ 70,000

Total Benefits + Remaining DB: $ 470,000

Mortailty Discount Method

Initial Death Benefit: $ 500,000

Year	Acceleration Amount	Mortality Discount	Net Payment to Client	Cumulative Benefits	Interest Charge	Remaining Death Benefit
1	$ 100,000	$ (20,000)	$ 80,000	$ 80,000	$ -	$ 400,000
2	$ 100,000	$ (20,000)	$ 80,000	$ 160,000	$ -	$ 300,000
3	$ 100,000	$ (20,000)	$ 80,000	$ 240,000	$ -	$ 200,000
4	$ 100,000	$ (20,000)	$ 80,000	$ 320,000	$ -	$ 100,000

Total Benefits + Remaining DB: $ 420,000