

BENEFIT PLANNING

Use LTCI As An Executive Benefit

By Christopher Bell and James Bell

Asset protection is an important part of retirement planning today and will continue to be in the future. But often, retirement funds are not protected from the potentially high expenses associated with long term care. The extraordinary cost of LTC can decimate the investments built up by an individual after a lifetime of saving.

The need for LTC touches eight out of 10 families in the United States every year, and the risk is higher than destroying our car in an accident, or even having a fire at home. Statistics also show LTC is not only for the elderly—more than 35% of LTC benefits paid in 2001 were to those under the age 40.

Long term care insurance can be integrated into a comprehensive executive benefit plan. By designing a LTC contract with a guarantee issue amount of monthly benefit, executives can use the benefit when necessary—saving significant dollars that would otherwise have come out of their pension, deferred compensation or 401(k) plan. Without a long term care plan, expenses for nursing home care or professional 24-hour home care would greatly erode the retirement accounts of these executives.

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Also, by making this unique benefit available, an executive is able to cover more of his or her income with a catastrophic disability plan, as LTC insurance does not have income requirements to qualify.

Putting The Plan In Place. A C-corporation receives the most comprehensive tax advantage, as the IRS allows this corporate structure

tee issue from many companies and no executive will be required to answer medical questions.

ACME chooses to buy a 10-pay option on all executives, with a \$5,000 monthly benefit. The 10-pay option will guarantee the premiums for the term, after which time the policy remains in force with no additional premiums required.

ACME Corporation's Long Term Care Executive Benefit Program

Number of Executives Covered	18
Annual Premium	\$70,000
% of Premium Deductible	100%
Immediate Monthly Benefit Available	\$5,000
Premium Payment Duration	10 years
Coverage Expiration	never

to pay the individual premium on LTC insurance and deduct the full amount as a business expense. Furthermore, when executives receive benefits under the plan, they are received income tax free.

Long term care insurance does not have to be offered to all employees of a corporation. Even with today's "select executive" atmosphere, this benefit can be passed to a key employee without discrimination or compensation conflicts. Groups or classes of employees can be selected and companies can offer the benefit to highly compensated employees as "golden handcuffs," an incentive to remain with the company.

Consider the following example: ACME Corporation, a C-corporation, wants to offer its vice presidents and regional directors another "golden-handcuff" benefit but no additional compensation. There are 18 executives, so ACME can receive an offer of guaran-

In this scenario, the annual 10-pay premium is \$70,000, which is 100% deductible as a business expense each year it is paid. The policy provides significant protection to the executive, with a \$5,000 monthly benefit available for the rest of his or her life. Before retirement, the policy protects the executive's assets. After retirement, the monthly benefit protects the executive's retirement income stream.

The benefit is in place, the cost is selected and each executive has additional monthly catastrophic coverage when a LTC or catastrophic disability need arises. Spouses may also be included in this guaranteed issue offer.

Long term care insurance essentially acts as a catastrophic disability and asset protection plan for the professional. It offers an enhancement to an executive's benefit package and a tremendous benefit for the business.

Without proper planning, a long term care event can wipe out personal assets, retirement savings and a family's entire estate. Work with your business owner clients to help them build this type of protection plan into their executive benefit package. **NU**