

# LONG-TERM CONFIDENCE

A FIELD GUIDE TO LONG TERM  
CARE STRATEGIES

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TRANSAMERICA®

# PREPARING AHEAD

**What are your clients preparing for? Have they made plans to help their families stay in control of their financial futures by providing life insurance protection just in case they pass early or possibly need long term care later in life?**

While the future probably looks different for each one, there's a good chance they'll require some form of long term care as they age. In fact, about **70%** of people **65** or older will need some form of long term care in their lives.<sup>1</sup> Female clients are likely to need care longer (3.7) years on average versus men (2.2) years.<sup>1</sup>

## THE REALITY

Given the rising costs of healthcare, it's never too early to start helping your clients prepare for long term care as part of their overall financial strategy. By 2025, the median monthly cost of a private room in a skilled nursing facility is projected to be **\$10,168**, with the cost of a home health aide being **\$5,794**.<sup>2</sup>



## THE OPPORTUNITY

But with every challenge comes opportunity — the opportunity to help strengthen your relationship with your clients, ensure their long-term confidence, and build your business.

Despite the 70% of people turning 65 who will need long term care,<sup>1</sup> LIMRA estimates only 3-4% of Americans have long term care insurance coverage that will help pay for the cost of care.<sup>3</sup> Hybrid life insurance products like **Transamerica Financial Foundation IUL® (FFIUL)** with a **Long Term Care (LTC) Rider** is one way to help your clients prepare to meet this challenge.

# THE CAREGIVER CONUNDRUM

**Ask a client, “If you were unable to care for yourself, who would your caregiver be?” They’re likely to make an awkward joke to ease the uncomfortable discussion. But press further and it’s likely the subject has never been discussed.**

Generally, people do not want to rely on their children, neighbors, or friends for care. For some, it is seen as the responsibility of younger generations to care for older ones. Yet caregivers are often required to put their life on hold to care for a loved one which may affect their own financial, emotional, and physical well-being. But proper preparation can help protect a caregiver’s personal and financial well-being.

## \$600B

In 2021, the estimated economic value of family caregivers’ unpaid contributions was around \$600 billion, with roughly 38 million caregivers providing an average of 18 care hours per week.<sup>4</sup>

## 61%

of family caregivers work either full or part time. Working caregivers face financial risks such as lost income and reduced career opportunities and savings.<sup>4</sup>

## 2034

By the year 2034, adults 65 and older will outnumber children under the age of 18.<sup>4</sup> This disparity adds to the demands of caregiving nationwide.



# THE OPTIONS

Just as there are several ways to help clients prepare for the costs of long term care, there are also important questions that need to be answered to determine which option may be right for them.

## SELF-FUNDING



Personal savings available for care. With the uncertainty of the total amount of savings needed and competing priorities like saving for retirement, will a client be able to cover all potential costs on their own?

## GOVERNMENT PROGRAMS



Programs like Medicare, Medicaid, or Veterans Health Administration Benefits are limited to certain qualifying recipients and what they actually cover. Does your client recognize the potential gaps or potential asset spend down provisions?

## HYBRID LIFE INSURANCE



Permanent life insurance with a LTC rider. Does your client have a need for permanent life insurance as well as long term care coverage? Is your client healthy enough to qualify?

## LTC ANNUITY



Generally an annuity contract with an enhanced income stream for LTC. Can your client contribute enough funds to create the benefit needed to cover their LTC expenses?

## TRADITIONAL LTC INSURANCE (LTCI)



Also known as stand-alone long term care insurance. One of the original LTC insurance options. Does the client have concerns about premium increases or limited benefits if care is never needed?

# LONG TERM CARE FINANCIAL CONCERNS

**38%** of U.S. adults age 18–75 are very or extremely concerned about paying for long term care services if they are unable to care for themselves.

This number jumps to **49%** for single mothers.



"2023 Insurance Barometer Study," LIMRA, 2023

## ADVANTAGES OF A HYBRID LIFE INSURANCE POLICY

<b>1.</b> Federal Income Tax-Free Death Benefit	<b>2.</b> Federal Income Tax-Free LTC Benefit <sup>5</sup>	<b>3.</b> Death benefit not used for LTC paid at death <sup>6</sup>	<b>4.</b> Flexible premiums <sup>7</sup>
<b>5.</b> Policy Surrender Options <sup>8</sup>	<b>6.</b> Potential use of loans and withdrawals of policy value <sup>9</sup>	<b>7.</b> Residual death benefit even if LTC funds are exhausted	<b>8.</b> Indemnity Based Payout Options

Long Term Care Rider benefits may be income tax-free when received. Since the maximum income tax-free long term care benefits are based on benefits paid from all sources, benefit payments from the Long Term Care Rider could be taxable if long term care benefit payments are received from other sources. Benefits paid to owners of certain business-related policies may be taxable.

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# CLIENT CONSIDERATION

Contrary to popular belief, clients don't have to be retired to find value in the added security of long term care protection. In fact, the lived experiences of all types of clients may motivate them to obtain protection. In any case it is generally best to obtain life insurance-based LTC coverage while clients are still healthy.

## CUSTOMER TARGET AUDIENCES



### Up and Comers 20-35

#### KEY MESSAGE

- Get permanent life insurance with an LTC Rider when you're young and healthy because as you age you may not be able to qualify for it
- Cost of care is rising — prepare with a life insurance policy that has the potential to keep up
- Prepare for your future with life insurance protection that offers long term care



### Young Breadwinners 30-45

#### KEY MESSAGE

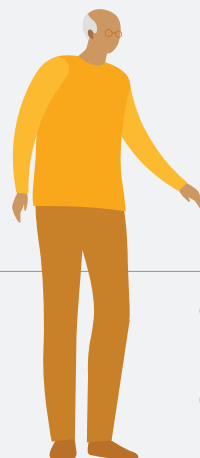
- Family is everything
- Ensure you're not forced to rely on your children for caregiving
- Cost of care is rising — prepare with a life insurance policy that has the potential to keep up
- Indemnity based payout allow for control to obtain best quality of life and choice for who gets care and how it's provided



### Retirement Planners 45-60

#### KEY MESSAGE

- LTC insurance can help protect everything you have worked hard to build including retirement savings
- You might not want to rely on the family you've spent your entire life trying to support
- Often adult children do not have the time or financial resources to put life on hold and provide care



### Last Chance Qualifiers 60-70

#### KEY MESSAGE

- LTC may allow you to remain in your home longer
- Some assume their spouse will take care of them, but when the time comes that may not be physically possible
- If client is looking to pass inheritance to family, LTC insurance may help protect those assets

### Ex-Pats 18-70

#### KEY MESSAGE

If you are choosing to travel or live abroad in retirement you may want your long term care insurance benefits to be available where you are.



## MAKE IT PERSONAL

Another way to introduce the subject of long term care planning is to share a personal story from a client or from your own experience. Ask your client if they've known a friend or family member who suffered a serious illness or needed long term care. Find out how that individual planned (or didn't plan) for it and really take a personal interest in their story. A client's personal experience may help them take the difficult topic of aging and care more seriously.

There are many reasons that drive clients to take action to help protect themselves and their loved ones from the potential impacts of being unable to care for oneself. Listen for hot buttons such as wanting to:



Have choice and control



Help protect their hard-earned retirement savings



Leave a legacy for younger generations



Ensure loved ones have resources for care



## DELIVERING A BENEFITS-BASED SOLUTION

It's important to truly understand what the client needs and what fits their unique situation.

Ask clients if they have any experience with a family member with a chronic illness or share a story of your own. Taking the time to do so can turn you into a trusted resource for not only your clients' future needs, but also their friends and family.



## PREQUALIFYING

Basic prequalifying can be a benefit to both you and your client as it can help set expectations and lead to better outcomes.

A good place to start is with Transamerica's **Fact Finder Flyer**. This tool can help you gather information to assist in the quoting and case design process. It is meant to be used to better gauge a client's understanding of the potential costs and challenges that a chronic illness requiring long term care may present.



## ESTIMATING COVERAGE

For assistance in estimating costs associated with Alzheimer's — a common cause of the need for long term care — consider using **Alzheimer's cost of care calculator**.\*

It can help you and your clients understand the financial implications associated with providing care for those with a common cause of the need for long term care like Alzheimer's disease and other dementias.



## BUILDING A BENEFITS-BASED PLAN

When creating a long term care strategy, it's important to focus on the choice and control that impacts quality of life for the client and those they care about.

Once clients recognize the value of preparation and the reassurance it brings, they are more likely to commit to putting a personalized long term plan in place.

\*There are a wide range of chronic illnesses that qualify for long term care coverage (LTC). Visit [longtermcare.gov](https://www.longtermcare.gov) for an overview of LTC considerations.



# THE ROLE OF UNDERWRITING

The process of underwriting for life insurance or long term care insurance can be an obstacle to obtaining coverage for clients. It is important to know what to expect to help clients obtain coverage quickly and efficiently. This can help set your practice apart.

## MORTALITY VS. MORBIDITY

A key to understanding how permanent life insurance with an LTC Rider (hybrid life insurance) is underwritten is knowing the difference and relationship between mortality and morbidity.

### WHAT IS MORTALITY?

When speaking about life insurance, mortality is the likelihood of premature death due to a specific cause or condition.

Some examples include:

- Heart disease
- Cancer
- Unintentional injury
- Chronic lower respiratory diseases
- Stroke
- Alzheimer’s disease
- Diabetes
- Influenza and pneumonia
- Kidney disease
- Suicide

### WHAT IS MORBIDITY?

When speaking about life insurance, underwriting morbidity refers to the existence or likelihood of development of an illness or condition that is long lasting or “chronic.”

Some examples include:

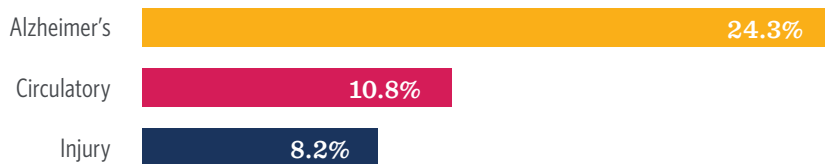
- Diabetes
- High blood pressure (hypertension)
- Heart disease
- Obesity
- Lung diseases, such as asthma and chronic obstructive pulmonary disorder (COPD)
- Stroke
- Chronic kidney disease
- Infections, such as the flu, COVID-19, and HIV
- Cancer
- Alzheimer’s disease
- Mental health conditions, such as anxiety and depression

**Comorbidity** - More than one illness or condition (morbidity) at the same time. Comorbidities may significantly increase the risk of a serious illness. Most recently, COVID-19 has drawn attention to the impact of comorbidities.



## TOP CHRONIC ILLNESS CLAIMS\*

Youngest claimant: 18 years old



\* Transamerica Internal Claims Data

Use our [LTC Rider Field Underwriting Guide](#) as a guide. It’s designed to position your submissions for success while enhancing the value you deliver and creating a superior experience for your clients.

# BUILDING YOUR BUSINESS

Transamerica offers a variety of tools to help you build your business and become a trusted resource for long term care financial preparation.

Visit our [LONG TERM CONFIDENCE strategy landing page](#).

## RESOURCES FOR BECOMING A CENTER OF INFLUENCE:

**THE COST OF CAREGIVING**

**Caregivers need support and guidance**

**Help them prepare**

**Create an action plan**

Use this Cost of Alzheimer's Care Calculator from Transamerica and AgingWell Risk to provide a personal estimate based on your state and more.

**CAREGIVING in the U.S. 2020**

The number of Americans providing unpaid care has increased over the last five years.\*

- 43.5 million in 2015
- 52 million in 2020
- 18% increase in 2020
- 21% increase in 2020

**READY TO AN ADULT WITH HEALTH OR FUNCTIONAL NEEDS, UNPAID CARE TO AN ADULT WITH HEALTH OR FUNCTIONAL NEEDS, UNPAID CARE TO AN ADULT WITH HEALTH OR FUNCTIONAL NEEDS**

- 18% increase in 2020
- 24% increase in 2020
- 19% increase in 2020
- 26% increase in 2020

**More Americans using for services with Alzheimer's disease or dementia**

- 22% increase in 2020
- 26% increase in 2020

**More family caregiving support has increased in 2020**

- 17% increase in 2020
- 21% increase in 2020

**23% OF AMERICANS SAY CAREGIVING HAS MADE THEIR HEALTH WORSE.**

**Who are today's family caregivers?**

- 39% male
- 61% female
- 45% age 50-64
- 61% age 65+

**Downloads**

- Caregiving in the U.S. 2020: A Forward Look at Family Caregivers of Adults Age 50+
- Caregiving in the U.S. 2020: A Forward Look at Family Caregivers of Adults Age 50+
- Caregiving in the U.S.
- Caregiving in the U.S.

## TRANSAMERICA ADVANCED MARKETS RESOURCES:

**PROTECTING WEALTH FOR AN AGING AMERICA**

A CAREGIVER'S FIELD GUIDE TO FINANCIAL STRATEGIES FOR THOSE LIVING WITH DEMENTIA

Developed in collaboration with MIT AGELAB

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# DISCLOSURE

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<sup>1</sup> "100 Must-Know Statistics About Long-Term Care: 2023 Edition," Morningstar, 2023

<sup>2</sup> "Cost of Care," Genworth, 2023

<sup>3</sup> "2023 Insurance Barometer Study," LIMRA, 2023

<sup>4</sup> "Valuing the Invaluable 2023 Update: Strengthening Supports for Family Caregivers," AARP, 2023

<sup>5</sup> Long Term Care Rider benefits may be income tax-free when received. Since the maximum income tax-free long term care benefits are based on benefits paid from all sources, benefit payments from the Long Term Care Rider could be taxable if long term care benefit payments are received from other sources. Benefits paid to owners of certain business-related policies may be taxable. Clients should consult a qualified tax advisor.

<sup>6</sup> Beneficiaries will receive the death benefit, minus any long term care benefits paid and outstanding loans. Also, while receiving benefits, the Long Term Care Rider charges will be waived (other policy charges will continue to be assessed), the policy will not lapse, and you are not required to pay the minimum no-lapse premium.

<sup>7</sup> Subject to certain limitations, premiums may be increased, decreased, skipped, or stopped altogether. However, the risk of a policy lapsing does increase if you do not regularly pay premiums equal to at least the current Minimum Monthly No Lapse Premium.

<sup>8</sup> These charges may be significant and should be carefully considered before surrendering the contract. A surrender charge may result in the cash surrender value of your policy becoming zero. The Transamerica Financial Foundation IUL is not intended for short-term savings or short-term insurance needs. Excess index interest is not credited for partial years at the time of surrender on any index account segment.

<sup>9</sup> Loans, withdrawals, and death benefit accelerations will reduce the policy value and death benefit. Provided the policy is not and does not become a modified endowment contract (MEC), 1) withdrawals are tax-free to the extent that they do not exceed the policy basis (generally, premiums paid less withdrawals) and 2) policy loans are tax free as long as the policy remains in force. If the policy is surrendered or lapses, the amount of the policy loan will be considered a distribution from the policy and will be taxable to the extent that such loan plus other distributions at that time exceed the policy basis.

**We're committed to helping you protect your clients' financial futures and the futures of their loved ones. Put the power of 36 years of processing LTC claims to work for you and your clients today.**



**TRANSAMERICA®**

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