Preserve Your Retirement Savings with LTCi

If you are part of the baby boomer generation (born between 1944 and 1964), you already know how important it is to save for your retirement. Little remains of the security our parents once enjoyed through company pensions. Today, the responsibility for retirement saving has shifted from employers to employees, and Social Security provides only a base level of income. Today, it's up to you to put the "golden" in your "golden years."

Most likely, you've been saving diligently over many years in order to maintain your current lifestyle during retirement. But, have you factored long-term care (LTC) into the equation? Many people fail to consider what would become of their finances if they or someone close to them became incapable of caring for themselves, even temporarily. Although it's tough to contemplate, it is likely that you or someone you love will eventually need LTC.

LTC services range from custodial care in the home to medical care in a nursing home, and the majority of LTC services provide assistance with activities of daily living, such as dressing, bathing, eating, transferring, and toileting. You are generally considered to be in need of LTC if you have difficulty performing two or more of these daily activities due to physical limitations, cognitive impairment, or both.

If you have accumulated wealth, such as retirement accounts or savings, and your funds are sufficient to cover LTC expenses, then you're ahead of the game. However, if you hope to bequeath assets to your heirs, the cost of LTC could interfere with the best-laid plans

There may be options, such as selling property or borrowing from a permanent life insurance policy. But, these strategies affect the amount of wealth you have to leave to heirs, and there may be tax consequences.

Maybe it's time to consider LTC insurance (LTCi). Policies vary, but in general, they provide a set amount of coverage that can be used in a number of ways. Should you come to need daily assistance, LTCi can help cover the expenses of nursing homes, assisted living facilities, or even home health care. You may find that such coverage allows you to remain independent, while also increasing your options for care.

With LTCi, you can minimize the financial risk associated with extended care and relieve the burden of uncertainty for yourself and your loved ones. Furthermore, if you purchase a qualified policy, premium payments may be tax deductible. Whether you are in your 40s, 50s, or 60s, the time to begin planning is now. Each year you wait can cost you more money. Premiums are based on age and benefits. So as you age, your risk of needing LTC increases, along with the total cost.

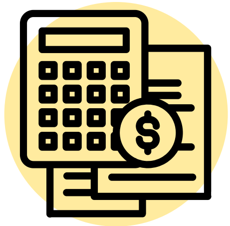
Most people don't think about LTC until it becomes a reality for them. As you prepare for your retirement, don't overlook the possibility that you or someone you love may require LTC. While you don't know what the future holds, proper planning today for an uncertain tomorrow may help preserve your hard-earned assets and enhance your options for care.

Tax Breaks for LTC Insurance

Long term care (LTC) insurance provides important protection to individuals and their families when the need for long term care arises. It provides a daily benefit that can help cover the costs associated with a nursing home, an assisted living facility, an adult day health center, or home health care. LTC insurance may allow individuals to keep more of their savings, offer increased options for care, and help maintain independence, while alleviating the financial and caregiving burden on family members.

In addition to these advantages, LTC insurance can provide tax benefits. Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), insurance policies generally receive the same favorable income tax treatment (within prescribed limits) as accident and health insurance contracts. Here are some key points to consider:

Like premiums for regular health insurance, premiums for qualified LTC policies can be deducted as a medical expense, subject to the general 10% of adjusted gross income (AGI) floor for medical expenses. However, it is important to note that the amount that qualifies for the medical expense deduction is limited according to the age of the insured. The qualified deduction, to be indexed for inflation in future years, is subject to the following annual limits in 2014.



Age (Before Close of Tax Year)	Limitation
40 and under	$370
41 to 50	$700
51 to 60	$1,400
61 to 70	$3,720
Over 70	$4,660

Benefits received under a qualified LTC policy are generally income tax free because they are considered insurance reimbursements for medical expenses.

LTC expenses unreimbursed by insurance are deductible as medical expenses (subject to the 10% of AGI floor). These expenses are not deductible if a relative provides the services, unless the relative is licensed to provide such services.

For some people, these tax incentives can help make LTC and LTC insurance more affordable. For more information and tax advice according to your unique circumstances, consult with your qualified tax professional.

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