How to Become a Long Term Care Insurance Superstar!

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CLTC

WEALTHSECURE
A Corporate Compensation Plans Company

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You Have Acres of Diamonds in Your Rolodex

There is a long term care insurance market place right in your organization's own backyard that has these three unique characteristics:

- It is virtually **untapped**.
- There is **very little** competition in it.
- It has an almost **unlimited** capacity to pay premiums.

This marketplace consists of **affluent** individuals, their **employers**, and their **partnerships**. It is untapped because the affluents' own insurance agents and financial advisors rarely talk to them about long term health care because they know little about the subject. Therefore, rather than embarrassing themselves by talking about something they know nothing about, they avoid the subject by telling their clients they have enough assets to **self-insure** the risk.

Of course this makes the prospect happy – no need to spend any more money on pesky insurance premiums – and it makes the advisor look like a person who has the best interest of the client at heart, rather than one who jumps at every opportunity to make a sale. The result is that the elephant – the potential of huge long term care costs that can disrupt the prospects' financial and estate plans – stays in their room.

This manual is designed to give you the skills to address the issues of long term care, its consequences, costs and solutions. Most important, this manual will provide you the methodology to engage your prospects to address these issues.

To get that elephant out of the room here are the steps to take:

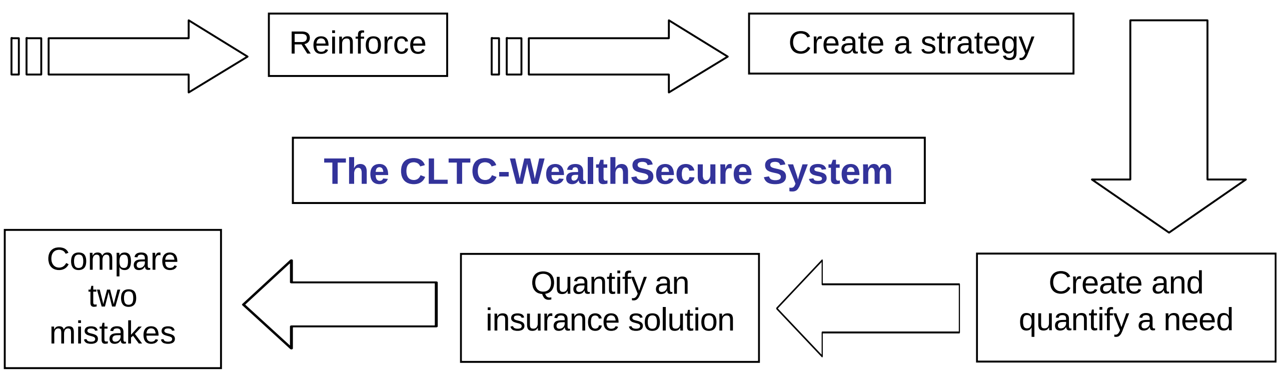
Step 1: **Reinforce** your understanding of what your prospects **really** want.

Step 2: **Create** a strategy to **engage** your prospects in a discussion about long term health care.

Step 3: **Create** and **quantify** a **need** for long term care insurance – or an **advantage** to buy it.

Step 4: **Quantify** an insurance solution and convert it into a financial **transaction.**

Step 5: **Compare** your insured value proposition with your prospects' self-insurance solution.



Step 1: Reinforce your understanding of what your prospects really want

Most people have three basic financial wants and or needs:

- When I **stop** working – either because I want to or because I have to – I want **enough** income for myself and for my family to live a fulfilling life **without** financial worries.
- When I **stop** working – either because I want to or I have to – I **never** want to run **out** of money at a time in my life when I can no longer earn it.
- I want to **preserve** my assets for my family so their financial security will be assured when I can no longer take care of them.

The reason your clients buy life insurance, disability insurance, health insurance, property insurance, liability insurance and insured guaranteed annuities from you is to satisfy these wants.

And to satisfy these same wants and needs is the reason every one of your affluent clients and prospects will buy long term care insurance from you if you present the case for it correctly.

Step 2: Create a strategy to engage your prospects in a discussion about long term health care

You are convinced your prospects need long term care insurance – but unless you're having an extremely lucky day, your prospects don't even want to think about it, much less talk about it.

So how do we get them to talk to you about a subject that is very high on the list of things they don't want to talk to you about? To do that let's get back to their primary financial goals and objectives:

- When they stop working they want an income that is adequate to maintain their standard of living.
- They never want to run out of money.
- They want to preserve their assets for the benefit of their families or charities.

So, let's put it this way: which of the following statements to a client has the greater chance of setting up an appointment?

1. Mary, I'd like to talk to you about long term care insurance.
2. Mary, I'm concerned there may be a gap in your retirement plan and I'd like to talk to you about a new method to insure your retirement income (or preserve your assets for the kids, or make sure you won't lose your income when you stop working).

In all probability statement #1 will get you nowhere whereas Mary would probably be delighted to talk to you about the subjects you mentioned in statement #2.

So if you are a financial or investment planner – or an insurance agent who also performs these functions – here are some conversation starters you might say to your clients:

- "Mary, one of the key objectives of the financial plan we have designed for you is to make certain your income will be sufficient to guarantee you a worry-free retirement. But we are concerned that the high costs of an extended period of long term health care could decimate your income stream and force you to liquidate your assets. It is important that you analyze this risk so you can determine if you should self-insure it or transfer it to an insurance company."

- "Jack, one of your key objectives is the preservation of your assets for Mary and the kids and the recent life insurance policy we put into place was designed to help you accomplish that goal. But the costs of extended medical care can now easily exceed a million dollars – which would mean that much less for your family. Therefore, it is important that you analyze this risk so you can determine if you should self-insure it or transfer it to an insurance company."

- "Jane, conservation of capital for the grandchildren is one of your primary goals and we believe the high costs of health care pose a serious threat to that goal. Therefore, it is important that you analyze this risk so you can determine if you should self-insure it or transfer it to an insurance company."

- "Ralph, we just looked at a government study that indicates that the high costs of extended health care could eat up your retirement income and force the liquidation of family assets. Would you like us to research for you some self-insurance and risk transfer solutions to that potential problem?"

- "Melinda, the costs of extended medical care can now run well over a million dollars. Since most of your and Tom's assets are tied up in your company, it could cause a real liquidity problem and force the liquidation of family assets if extended health care is needed. That being the case, it is important for you to analyze this risk so you can determine if it should be self-insured or if it should be transferred to an insurance company."

You'll notice that in every one of these examples you are talking to your clients about preserving their wealth and guaranteeing their retirement security rather than talking about long term care insurance.

Further, we are asking them to analyze the risk so that **they** can determine if it should be self-insured or insured – an action that is far more effective than telling them they have a long term health care problem.

In addition, in each case you are suggesting that your clients should look at self-insurance as well as insured solutions to the costs of long term health care. Here is why you want to do that:

- We want to engage our clients in talking about a self-insurance solution to long term health care costs because most of them have been told by their advisors to self-insure. However, "real" self-insurance involves analyzing and quantifying a risk, and then setting aside resources to pay for it. This is a far different strategy than what your prospects think they are doing when they say "I'll self-insure long term care" because, in reality, they are simply ignoring the risk rather than doing anything about it.
- Mentioning self-insurance up front in the conversation pre-empts the prospect from using it as an objection.
- Our value proposition – which we will introduce later on in the sales process – is based on comparing our insured solution to a self-insured solution.

Ok, but how do we engage someone in a long term care insurance conversation if we know nothing about their financial situation. One way to do that is to focus on an **advantage** long term care insurance can provide. The *CLTC-WealthSecure System* is designed to address and back up all aspects of discussing long term care insurance. For example, you can now be comfortable saying to your prospects something like the following:

- "We have just come across a new tax-deductible long term care insurance plan that will protect you and the family against the high costs of extended health care – and at the same time will enable you to take money out of your corporation for the benefit of your family; would you like to see how it works?"
- "We have been able to create a long term care insurance plan to protect you and your family against the high costs of extended health care that is 90% tax deductible – would you like to see how it works?"

- "I know you and Mary have a high net worth and therefore certainly have more than enough money to pay out two or three million of it if you ever have an extended need for health care because of a serious injury or stroke, or from diseases such as Parkinson's, MS, and Alzheimer's. But we have come across a new insurance plan to conserve your wealth that can pay up to $3,500,000 in long term health care costs if you ever need care – AND will refund all of your premiums if you never need it. Would you like to see how it works?"

- "We have just come across a new long term care insurance plan that will return 125% of your premium costs to your family when you die if you have never received benefits – would you like to see how it works?" (for New York State residents).

- "Your non-profit organization can create a new deferred compensation plan to protect selected key employees' wealth accumulation plan assets against the costs of extended health care with these key features:

  - The plan is funded with new long term care insurance policies.
  - Your organization can pay the selected employees a special bonus to buy their policies.
  - The bonus is not taxable to the employees.
  - The benefits are tax-free to the employees.
  - If the employees never receive insurance benefits, the sum of all of the bonus payments paid to them will be refunded to their families by the insurance company when they die.
  - The plan is not subject to IRC 409A or 457(f).

  Would you like to see how it works?"

- "We can design an insurance plan for you and the other attorneys in your firm to pay the costs of long term health care with these 3 key features:

  - If you or your spouses ever need care, the plan will pay up to $2,500,000 to cover your costs.
  - If you don't need care, all of your premiums will be refunded to your family when you die.
  - A substantial part of your premium will be tax deductible.

  Would you like to see how the plan works?"

  (Note: if you have a prospect who pays New York State Income taxes you can say: "If you don't need care 125% of your premium costs will be refunded to your family when you die.")

- "We have designed a fifteen minute program that will enable you to determine, once and for all, if long term health care costs are a serious threat to your family's financial and emotional security; would you like to see how it works?"

- "The government has determined that 70 our of every 100 of your key employees will spend some or all of their retirement income on the costs of long term health care (1) – a result I'm sure was never intended when you created their wealth accumulation plans.

  However, a new insurance plan has been designed to insure these costs with these unique features:

  - The program can insure selected employees and their spouses.
  - Tax subsidies will pay up to 60% of your company's cost – and under certain circumstances the plan can be cost neutral to your company.
  - There is no tax or cost to your employees.
  - If the employees or their spouses need long term health care, the insurance company can pay up to $3,000,000 of their costs.
  - When the employees die, the insurance company will refund 100% of the premiums paid by your company to their personal beneficiaries.
  - The plan is exempt from Section 409A restrictions.

  Would you like to see how it works?"

In these examples, we have mentioned long term care insurance, but only in connection with a tax or economic advantage. And, as we will see in the next section, we will not show the prospects how the plan works until they acknowledge that the consequences of long term health care pose a serious problem to themselves, their families or to their employees.

To sum it up

You can get your long term care insurance conversation started by either talking about your clients' financial goals – and how long term care costs may adversely affect them – or by talking about a tax or economic advantage that long term care insurance can deliver to them.

Step 3: Create a need for long term care insurance – or an advantage to buy it

The biggest mistake most salespersons make in trying to sell long term care insurance is that they sell a product solution before they have created an economic or emotional problem.

And since people only buy insurance to solve problems, it is a waste of time to even mention long term care insurance before your prospects have determined that the costs of long term health care can have serious consequences to themselves and to their families.

With that in mind, it is essential that your prospects understand that there are only two ways they can pay the costs of long term health care **if they don't own insurance**:

1. They can pay their care costs from **income** – which means they, and their families – will have to live on less.

2. They can pay their care costs by **liquidating** their assets.

Now let's look at the **consequences** of those options.

Option 1: Pay care costs from income and live on less

Except for the very wealthy, most people live on 110% of their income. So, if I have a retirement income of, say, $200,000 it is probably all being spent – the mortgage on the second house, the vacations, the golf club dues, the clothes, some tuition help for the grandchildren, and – well you get the idea.

Now my wife has a stroke and her annual cost of care is $125,000. The result: I've lost over half of the income of which 110% has been committed to my living expenses.

That means I'm going to have to try to cut my expenses and I'm going to have start doing without many of the nice things in life that I – and my family – have become used to. The result is that my standard of living and that of my family is going to change dramatically – and not for the better!

Option 2: Pay care costs by liquidating assets

Since I can't figure out how to live on substantially less income, my only other solution is to start liquidating assets to pay for my care costs.

When I start that process here are some of the consequences I will have to face:

1. I will suffer **adverse** tax consequences if:

   - I sell off assets at a profit because I'll have capital gains taxes to pay.

   - I take distributions from my qualified retirement plans because they are 100% taxable at ordinary income tax rates.

   - I take distributions from my nonqualified deferred compensation plans because they are also 100% taxable at ordinary income tax rates.

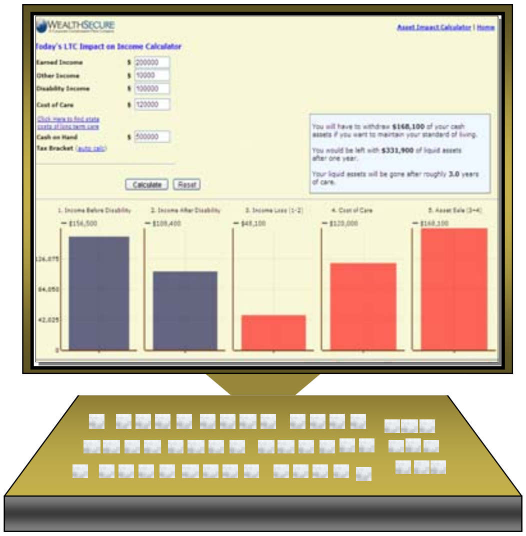
2. If I have to sell assets at a **loss**, I will never be able to make back the loss.

3. I will have **liquidity** problems if I have to sell assets that are tied up in real estate or the stock of a closely held corporation. In that case, I may have to have a "fire sale" to raise the money I need to pay care costs.

4. **Every dollar I liquidate to pay for long term health care costs is a dollar less for my family – plus the investment income those dollars could have earned. That means that an extended period of long term health care costs could be severely disruptive to my estate and tax plans and that, at the worst, my family could run out of money entirely.**

Now it is not enough that your prospects understand these consequences from an intellectual standpoint – they have to understand it from the perspective of their own emotions and finances.

We can do that by using the **CLTC-WealthSecure Impact Program**.



Calculator 1

Calculator 2

It uses your prospect's own financial information and assumptions – and then plays an immediate FLASH game that translates that information into specific loss scenarios that includes factors such as:

- Current retirement portfolio and retirement plan contributions.
- Taxes and liquidity.
- Investment opportunity cost of money.
- Liquidity.
- Specific loss of retirement assets and income.

And your prospect can't dispute the FLASH results because they are based on their own assumptions and data – and the assumptions can be changed on the spot if your prospects want to do so.

Further, at this point you have not even mentioned long term care insurance – you have just been focusing on your prospects' financial goals and objectives.

For example, your FLASH presentation has just shown your prospect, Peter Smith, that six years of long term health care will reduce his retirement portfolio from $3,000,000 to $900,000 and his retirement income from $180,000 to $54,000 – a real eye opener for Peter.

At that point, you might say, "Peter, I know that you and Mary may never need long term health care but, if you did, would this kind of a financial meltdown cause serious financial and emotional consequences for you and the family?"

If Peter says "No," you can thank him for his time and move on to other financial opportunities.

If he says "Yes," you can then say, "Would it then be appropriate for us to look at some self-insurance and risk transfer solutions?" (Or you might say, "There is a new insurance solution to this problem that will pay your care costs if you need care, will refund your premiums if you don't need care, and may be tax subsidized. Would you like to see how it works?")

If he says "Yes" to either question, **Peter has just asked you** to show him a long term care insurance proposal – a complete reversal of the normal sales process. In addition:

- You have taken a completely consultative approach to the long term health care problem – you have not tried to sell a product, you have uncovered a problem.
- The costs and consequences of long term health care have been shown in the context of Peter's own retirement assets and income rather than being floated by him as just another statistic.
- Peter has discovered, by himself, that the costs of long term health care are a threat to his financial security – and the security of his family.

This approach is called "permission marketing" because you have given complete control of the sales process to your prospect with these very favorable results:

- You will **never** be viewed as a "product" pusher.
- You will **never** have any objections in this part of the process because there is nothing your prospects can object to (because they are using their own financial assumptions and you have not asked them to buy anything).
- You will **never** lose face or be embarrassed because you have never put your prospect in the position of having to reject your advise or recommendations.

Step 4: Quantify a solution

Now that Peter has asked you to show him a solution to the long term health care funding problem, it's up to you to come up with that solution!

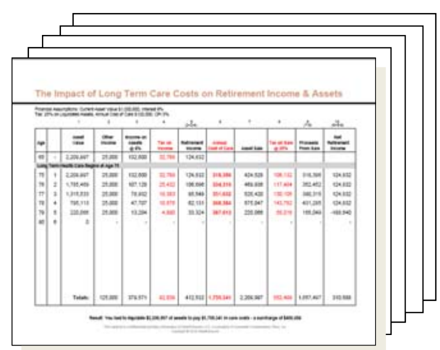
What the solution will **not** be is just an insurance company's proposal (which you will certainly need at the time you are going to take an application).

Just as you quantified the long term care insurance need, you now have to **quantify** the solution. And by the way, don't be afraid to do so – affluent people and their financial advisors live by numbers and trying to sell them insurance on a purely subjective basis is a hard row to hoe.

And here is what we need to quantify the solution projected over a period of at least 25 years:

- Premiums
- Tax deductions
- Tax credits
- Opportunity cost of money
- Cost of care
- Impact of care costs on retirement assets and income
- Impact of insurance benefits on care costs
- Internal rate of return to show the huge tax-free rate of return if the policy is purchased.
- How the premium refund feature converts the insurance into an essentially revenue-neutral financial transaction if care is never needed.
- Present value analysis of costs and benefits.

Armed with this material – which your CLTC-WealthSecure Funding Software Module will prepare for you in just minutes – you can quickly turn your long term care insurance information request into a financial transaction that can be easily and accurately analyzed by your prospects and their advisors.


The Impact of Long Term Care Costs on Retirement Income & Assets


Insurance Strategy

Year	My total premium expense Before Tax	After Tax	My insurance benefits if I receive them for: 1 Year	5 Years	My premium refund at death if:* Tax-free	Taxable
2010	$6,060	$5,629	$114,245	$771,154	$6,060	$5,629
2020	$60,600	$52,063	$165,655	$1,079,615	$60,600	$52,063
2030	$121,200	$94,169	$222,778	$1,422,360	$121,200	$94,169


Self-Insurance Strategy

Year	Annual After Tax Premium Expense*	If Invested**
2010	$5,629	$5,812
2020	$4,557	$62,797
2030	$3,939	$137,122

By doing so you will have anticipated – and answered – the following **common objections** of the wealthy and their advisors to buying long term care insurance:

- "You didn't add the opportunity cost of money to the premium payments to get the true cost of the insurance."
- "You didn't show the results of investing the premiums if I didn't buy the insurance."
- "You didn't show me the financial results of buying the insurance if I never needed care."
- "You illustrated the potential tax deductions, but you didn't show the financial effect if they were recaptured at my death."
- "You didn't show me what would happen if the insurance company increases my premiums."

(If you don't anticipate these objections, you will be left playing catch up when your prospects or their advisors bring them up. In addition, the best way to develop credibility is to show the disadvantages of your proposition as well as its advantages.)

In addition to anticipating objections, the LTC Funding Module will show these powerful formats:

- How the return of premium can convert the insurance purchase into an essentially cost-neutral transaction if care is never needed.
- How – in most cases – no more than one year's insurance benefits are enough to recover all premiums plus the opportunity cost of money.
- How self-insurance compares with the insurance option in any given year in terms of costs and benefits.
- How, in any given year, the cost of long term health care will exceed a self-insurance option by a quantum amount.
- How tax deductions and tax credits can reduce premium costs by up to 50%.

And now that you have engaged your prospect, created and quantified a need, as well as quantified the solution, you are ready for your final – and logical – step.

Step 5: Quantify your value proposition by comparing the cost of buying the insurance and never needing it with not buying the insurance and needing long term health care.

Showing affluent prospects just the benefits of buying long term care insurance if they need care is a self-serving exercise. Why? Because, although your prospect has determined that long term health care expenses may cause serious consequences to the financial security of the family, he or she is also thinking, "What happens if I spend all of these insurance premiums and I never need care?"

Since the "What happens if I buy the insurance and never need it" is one of the major reasons people do not buy long term care insurance, we are going to meet it head on by saying to our prospect:

> **"Mrs. Prospect, in terms of buying – or not buying – long term care insurance, you are guaranteed to make a mistake:**
>
> - **You either will buy the insurance and never need long term health care or**
>
> - **You will not buy the insurance and you will need long term health care.**

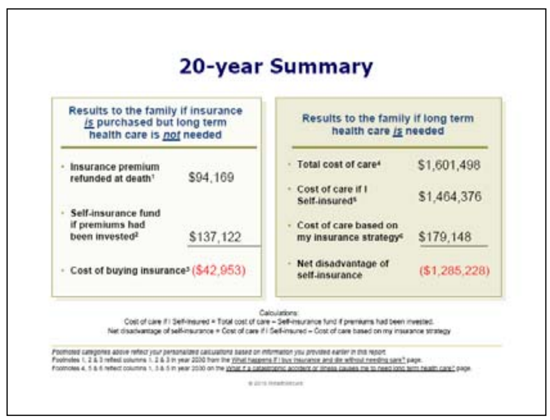
Let's quantify these two mistakes so you can determine which is the more prudent mistake to make!

Your CLTC-WealthSecure Presentation makes this comparison and sums it up on one page – an easy summary for your prospect to understand!

For example, let's say you are presenting a $10,000 annual premium to Peter Smith and your CLTC-WealthSecure Funding Presentation shows the following:

- If Peter dies in 20 years without ever needing care, the cost to his family – the total of his premiums paid, plus the opportunity cost of money, less tax subsidies and the refund of his premium payments – is $35,000.

- If Peter were to need long term care 20 years from now for a period of 6 years, the cost to his family – had he **not** purchased the insurance – would be $1,800,000.



In this case, you have shown Peter that he can transfer a multi-million dollar long term health care risk to an insurance company using an insurance transaction that is essentially cost-neutral to his family if he never needs care.

So now you can say to Peter, “Since you are bound to make a mistake – which one makes the most sense to make?”

Most sane people will conclude that if they can lay off multi-million dollars of long term health care risks for pennies on the dollar it will make sense to transfer the risk to an insurance company – and Peter will probably come to the same conclusion.

However, he will probably have a number of other questions:

- What other options should I look at?
- What would the results look like if I purchased a smaller amount of insurance?
- What are the costs and benefits to include my spouse?
- What insurance company do you recommend – and why?
- My firm offers group long term care insurance – would it make sense for me to buy that coverage?

Of course you need to know how to answer questions like these because at this point you have to demonstrate expert product knowledge.

But now you are talking about product only after your prospect has evidenced a keen interest in buying long term care insurance!

In Summary:

- You concentrated on your prospect's financial goals and objectives.
- You created a strategy to engage your prospect in a serious discussion of the consequences of long term health care.
- You created a need for long term care insurance using your prospect's own information and financial data.
- You quantified a financial solution for your prospect's problem.
- You demonstrated your value proposition by comparing the cost to your prospect of buying insurance and never being paid any benefits with not buying it and needing long term health care.
- You demonstrated product knowledge after your prospect had told you that he or she was interested in buying the insurance.

By taking these steps, you demonstrated to your prospect your professionalism and your concern for his or her financial welfare.

How much better can it get?

Appendix

What causes the need for long term health care?

A **chronic** physical impairment caused by:

- **Diseases** - Parkinson's, Multiple Sclerosis, Diabetes, and Osteoporosis
- **Strokes**
- **Severe injuries**
- **Frailty** from old age

The result is people need **help** from others – nurses, therapists, caregivers – to perform the basic **functions** of bathing, dressing, eating, and moving around.

A cognitive impairment such as Alzheimer's that makes it difficult or impossible for people to relate to themselves or to others:

The result is people need constant **supervision** so they don't hurt themselves or others.

3 long term health care myths

▪ **Medicare will pay:**	Only for a limited number of skilled services and only for a short period of time.
▪ **Medicaid will pay:**	Only when you are on welfare.
▪ **Long term care is given in nursing homes:**	75% of all care is provided at home.

How much can long term health care cost?

Example

Private Nursing Home

	1 year	8 years
2010	**$120,000**	**$1,145,800**
2020	**$318,300**	**$3,217,690**

* See 2010 Prudential Long Term Care Costs Study.
Assumes 5% inflation.

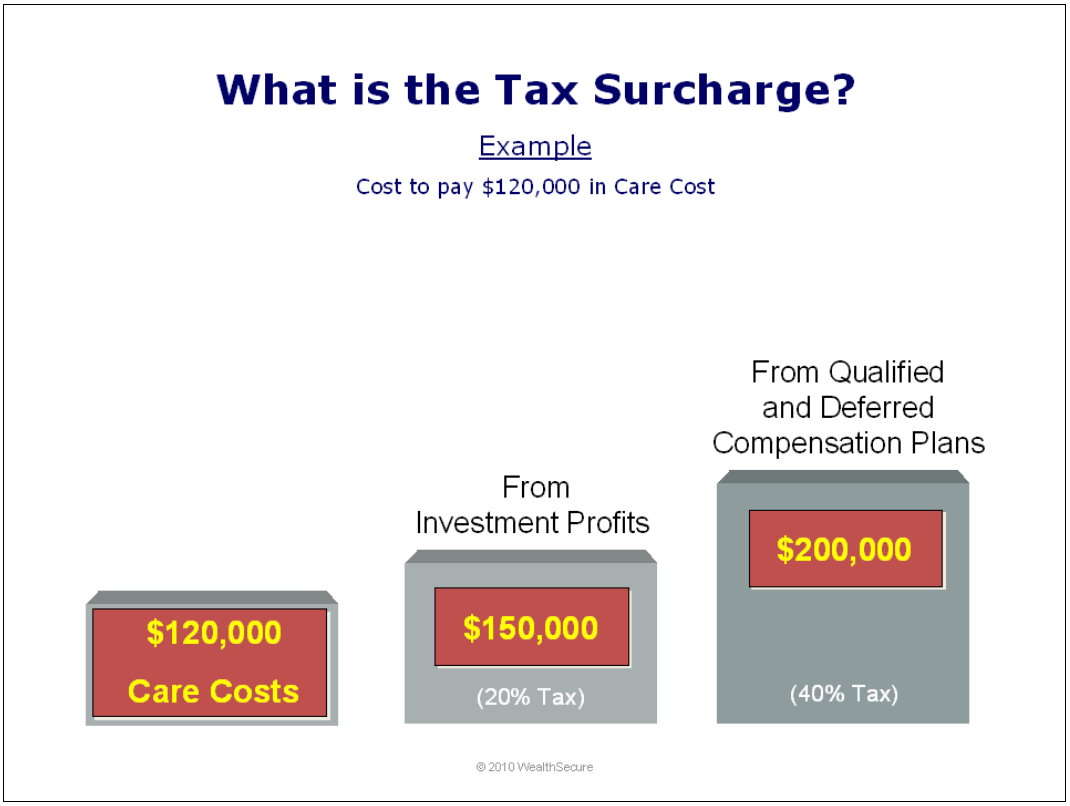
How much can long term health care cost?

Example

24/7 Home Care

	1 year	8 years
2010	**$183,960**	**$1,756,600**
2020	**$464,858**	**$4,710,700**

* See 2010 Prudential Long Term Care Costs Study.
Assumes 5% inflation.


What is the Tax Surcharge?
Example
Cost to pay $120,000 in Care Cost
From Qualified and Deferred Compensation Plans
From Investment Profits
$120,000
Care Costs
$150,000
(20% Tax)
$200,000
(40% Tax)
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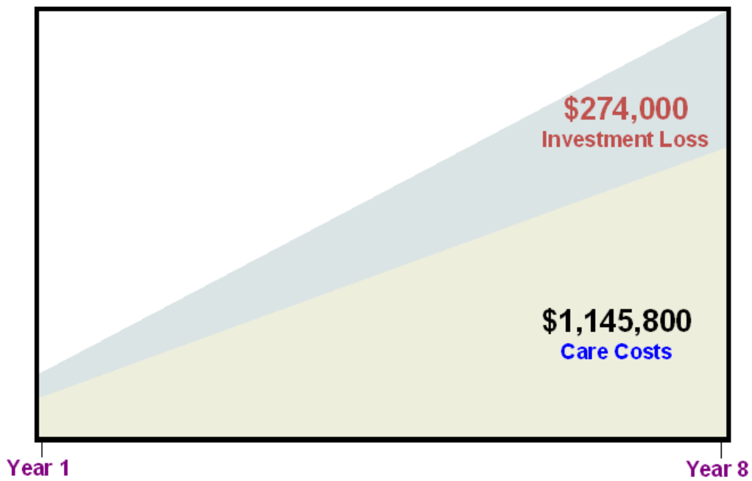
What is the Investment Surcharge?

Example

$120,000 Care Costs for 8 years, 5% Inflation, 5% Yield



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The *CLTC*-*WealthSecure* System

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