Miller Wealth Advisors, LLC

CASE STUDY | VOLUME 103

LAW FIRM PROTECTS PARTNERS' ASSETS

From Risk of Long Term Care Expenses

THE SITUATION: Three partners of a prominent law firm want to protect their assets from the growing risk of long term care (LTC) expenses. The partners agree to fund $10,000 toward a policy for each partner. Spouses' policies would have to be funded with personal savings. As the insurance adviser, I educated the partners about three options used to finance insurance to pay for long term care: 1) Traditional LTC Insurance, 2) Hybrid LTC and 3) Life Insurance with a Living Benefits Rider.

THE STRATEGY: The partners began to realize that since they are each in a different stage of life, they require a long term care solution that is tailored to each partner.

SPECIFIC STEPS: The law firm decided to bonus each partner with $10,000. Each partner in turn applied for the distinct type of LTCI policy best suited to his needs. Although the partners will be required to pay the premiums with after-tax dollars, they are able to customize the product solution that is right for each of them.

THE OUTCOME: In the end, these three attorneys have policies that fit the unique needs of each of their families without adversely affecting the other partners.

LEE, AGE 56

Lee, the youngest partner, is married with two young children. In addition to wanting to plan for long term care, he is equally concerned that he may be underinsured for life insurance.

Lee, the youngest, is a good candidate for life insurance with a Living Benefits Rider since this solution emphasizes life protection over long term care.

Lee will use his bonus to make premium payments of $10,000 per year for 10 years and gain a level $250,000 of protection for either life or long term care needs.

JOHN, AGE 61

John is married but his children are successfully employed and living independently. Nonetheless, since most of his term life insurance will expire over the next few years, he, like Lee, sees value in having some additional life protection for his nonworking spouse.

John is most suited for a Hybrid LTC as he seeks higher leverage of guaranteed LTC benefits with the certainty of guaranteed premiums, where life insurance is secondary.

John will make premium payments of $10,000 per year for 10 years with his bonus and ultimately be insured for $575,000 (at age 75) for LTC but with a more modest $118,000 death benefit.

PAUL, AGE 67

Paul, the Founding Partner, is near retirement and is solely concerned about needing long term care for himself.

Paul is seeking the most leverage of LTC benefits and is willing to accept the uncertainty of future premiums characteristic of a stand-alone traditional LTC policy.

Paul will pay the least for traditional LTC with premiums of $3,000, but runs the risk that premiums could increase in the future. He will be insured for $360,000 of LTC only.

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