

Tax-advantaged dollars for long-term care

Sole proprietor, S corporation and partnership

SecureCare™ Universal Life (UL), a life insurance policy with cash indemnity LTC benefits, has a unique policy structure that may create a valuable opportunity for owners/employees of pass-through entities, such as sole proprietors, S corporations and partnerships. You can help these prospects create a long-term care (LTC) strategy that allows them to provide key employees with LTC coverage and use business dollars to fund their own LTC needs in a more tax-efficient manner.

How it works¹

Step 1: Create a valid class² of employees

Sam, the owner and president of an S corporation, creates a valid class of employees that will receive LTC coverage. The class consists of Sam and the company's other top executives. The company pays the SecureCare UL premiums, but each member of the valid class owns their individual policy.



Sam, age 55

- \$100,000 SecureCare UL policy
- \$10,000 annual premium for 10 years
- Couples discount
- 6-year benefit duration
- 3% compound inflation

Sam	Minimum death benefit ³	Monthly LTC benefit	Total LTC benefits available
Day 1	\$101,071	\$4,211	\$326,885
Age 85	\$101,071	\$10,222	\$793,437



Contact us today

to customize a proposal that helps address a prospect's top LTC concerns:

1-888-900-1962

(Independent Distribution)

1-877-696-6654

(Broker-Dealer)

1. This is a hypothetical example for illustrative purposes only.

2. Please note: It's important to work with your client's tax and legal professional to create a valid class of employees and a document outlining the agreement and terms of the plan providing the benefit.

3. Minimum amount paid income tax free to Sam's beneficiaries if he dies before he needs LTC. The amount paid will be reduced by any terminal illness benefit payments, premium due and any indebtedness.

Step 2: Portion of premium for LTC

There are two parts to a SecureCare UL premium: the portion that goes towards the life insurance (the face amount) and the portion that goes towards the three tax-qualified LTC agreements.

Annual premium	\$10,000	Tax implication
Face amount (base life insurance)	\$5,938	Included in income (life portion)
Total premium combined from three LTC agreements	\$4,062	Not included in income (LTC portion)

Step 3: Age-based limitations and deduction amount

Both the life and the LTC portions of the premium would be included in Sam's income,⁴ but as an owner and current employee of his S corporation, Sam can deduct a portion of his LTC premium. Sam's deduction amount is determined by his age-based limitation.

Attained age before the close of the taxable year	2023 limit	2024 limit
40 or less	\$480	\$470
41-50	\$890	\$880
51-60	\$1,790	\$1,760
61-70	\$4,770	\$4,710
71+	\$5,960	\$5,880

Source: IRS Revenue Procedure: 2022-38; IRS Revenue Procedure: 2023-34

Sam may deduct whichever is less: the total premium combined from the three LTC agreements or his age-based limitation. So the first year Sam has his policy, he can deduct \$1,760 by including it as a self-employed health insurance deduction on line 17 of Schedule 1 of the IRS Form 1040. The life portion of the premium is not deductible.

Sam's age	Deduction amount	Number of years	Total deductible amount
55-60 years old	\$1,760 ⁵	6	\$10,560
61-64 years old	\$4,062	4	\$16,248

This is an above-the-line deduction, which means Sam does NOT need to itemize his taxes to take the deduction.

S corp owners who are not currently employed by their company do not qualify for this deduction, which means if Sam was not an employee of his company, he would not be able to deduct any portion of his premium.

4. If Sam paid for the life portion of his premium himself, he would not have to include it in his income. The LTC portion would still be deductible. Using personal funds to pay for the life portion of the premium may be a good strategy for an owner/employee who is especially concerned about incurring any additional tax.

5. The IRS annually adjusts age-based limitations so an insured's deduction amount may slightly change each year. However, the insured's deduction amount must always be whichever is less: the age-based limit or the LTC portion of their policy.

The power of cumulative deductions

Total premium over 10 years	Total premium included in Sam's income	Total premium deducted from Sam's income
\$100,000	\$73,192	\$26,808

Sam would be able to deduct roughly 27 percent of the premium paid on his behalf from his income.



Key employee coverage

Employees who are not owners are not subject to age-based limitations. They can exclude the total LTC portion of the premium from their income (so only the life portion of the premium would need to be included⁶). The company can deduct the employee's full premium.

6. An employee may have taxable income if they choose to exercise the policy's return of premium option because they do not have any basis in the LTC portion of the policy.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods.

Insurance policy guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

The optional Long-Term Care Inflation Protection Agreement is available with 3% simple interest, 3% compound interest, 5% simple interest or 5% compound interest.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

SecureCare Universal Life Insurance includes the Acceleration for Long-Term Care Agreement. The Acceleration for Long-Term Care Agreement and Extension of Long-Term Care Benefits Agreement are tax-qualified long-term care agreements that cover care such as nursing care, home and community based care, and informal care as defined in these agreements. These agreements provide for the payment of a monthly benefit for qualified long-term care services. These agreements are intended to provide federally tax-qualified long-term care insurance benefits under Section 7702B of the Internal Revenue Code, as amended. However, due to uncertainty in the tax law, benefits paid under these agreements may be taxable.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under this policy. Clients should consult a tax advisor regarding long-term care benefit payments, terminal illness benefit payments, or when taking a loan or withdrawal from a life insurance contract.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer.

It is not intended for, nor can it be used by any taxpayer for, the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

These are general marketing materials and, accordingly, should not be considered investment advice or a recommendation that any particular product or feature is appropriate or suitable for any particular individual. These materials are based on hypothetical scenarios and are not designed for any particular individual or group of individuals (for example, any demographic group by age or occupation). The materials were prepared for financial professionals who are experienced in investment and/or insurance matters. As a result, they should not be reviewed or relied on by any other persons. Securian Financial Group, and its subsidiaries, have a financial interest in the sale of their products.

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in St. Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

Securian Financial is the marketing name for Securian Financial Group, Inc., and its subsidiaries. Minnesota Life Insurance Company and Securian Life Insurance Company are subsidiaries of Securian Financial Group, Inc.

For financial professional use only. Not for use with the public. This material may not be reproduced in any way where it would be accessible to the general public.

Not a deposit – Not FDIC/NCUA insured – Not insured by any federal government agency – Not guaranteed by any bank or credit union



PREPARE
PROTECT
SECURE

[securian.com](https://www.securian.com)

400 Robert Street North, St. Paul, MN 55101-2098
©2024 Securian Financial Group, Inc. All rights reserved.

F87549-104CA Rev 6-2024 DOFU 6-2024
3375715