Using pre-tax dollars to pay for long-term care

Our SecureCare product line uses a premium structure that separates out the long-term care (LTC) portion of the premium instead of treating it as a charge. We believe this allows the LTC portion of the SecureCare premium to be considered as a medical expense and thus allows clients to use a health savings account (HSA) to help fund a portion of their premium. And for some, using pre-tax dollars to help pay for future LTC needs could be a powerful tool.

The case study below uses SecureCare III, an LTC and nonparticipating whole life insurance policy (available in all states except CA and NY). The same strategy can also be applied to SecureCare Universal Life (UL) cases (available only in CA).

Prospecting points

- SecureCare offers four powerful guarantees — death benefit, LTC cash indemnity benefit, reduced paid-up benefit[1] and a return of premium option[2] — so clients are guaranteed to get something out of their premium dollars, whether they need care or not.
- Older prospects may be strong candidates for this strategy as age-based limits increase with age.
- Individuals who are still working and contributing to their HSA may be excellent candidates, as a well-funded HSA is a critical component of this strategy.

How it works[3]

Howard, age 60

HSA account with $40,000

$100,000 SecureCare policy

$10,000 annual premium for 10 years

- Couples discount
- 6-year benefit duration
- 3% compound inflation
- LTC Boost ROP option[4]
- Premium waiver

Howard	Minimum death benefit[5]	Monthly LTC benefit	Total LTC benefits available
Day 1	$124,907	$5,204	$403,975
Age 85	$124,907	$10,897	$845,834

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
(Securian Financial and Broker-Dealer)

1. Reduced paid-up benefits refer to the reduced paid-up nonforfeiture benefit that purchases paid-up insurance in the event of premium lapse.
2. Each SecureCare product has a different definition of return of premium. For each product's specific definition, please refer to its financial professional guide.
3. This is a hypothetical example for illustrative purposes only.
4. The death proceeds, return of premium amount and long-term care benefit amount depend, in part, on the return of premium option selected on the policy application. This option cannot be changed after the policy is issued. For more information regarding return of premium options, please review the policy contract.
5. Minimum amount paid income tax-free to Howard's beneficiaries if he dies before he needs LTC. The amount paid will be reduced by any terminal illness benefit payments, premium due, partial surrenders and any indebtedness.

Let's take a closer look at Howard's annual $10,000 premium:

There are two parts to a SecureCare premium: the portion that goes towards the life insurance (the face amount and premium waiver agreement, if applicable) and the portion that goes towards the three tax-qualified LTC agreements. This is true for both SecureCare III and SecureCare UL.

Annual premium	**$10,000**	
Face amount (base life insurance) + premium waiver, if applicable)[6]	$5,506	**Non-deductible (life portion)**
Total premium combined from the three LTC agreements	$4,494	**Deductible (LTC portion)**

The LTC portion of the SecureCare premium — in this case, $4,494 — may be considered a qualified medical expense, which means Howard can use his HSA to pay for whichever is less: the LTC portion of the premium or the age-based limit set by the IRS:

Attained-age before the close of the taxable year	**2024 limit**	**2025 limit**
40 or less	$470	$480
41-50	$880	$900
51-60	$1,760	$1,800
61-70	$4,710	$4,810
71+	$5,880	$6,020

Source: IRC Section 213(d)(1)(D)

Howard will pay the $10,000 annual premium each year by writing two checks: one from his HSA (for whichever is less, the age-based limit or the LTC portion of the premium) and one from his personal checking account (for the life insurance base policy, the premium waiver agreement, if applicable, and any remainder of the LTC portion).

Clients can contact their HSA administrator for details on reimbursement

Howard's age	**Premium paid from HSA**	**Premium paid out-of-pocket**
60 years	$1,800[6]	$8,200
61 years	$4,494	$5,506
62 years	$4,494	$5,506
63 years	$4,494	$5,506
64 years	$4,494	$5,506
65 years	$4,494	$5,506
66 years	$4,494	$5,506
67 years	$4,494	$5,506
68 years	$4,494	$5,506
69 years	$4,494	$5,506
Total:	**$42,246**	**$57,754**

Howard would pay approximately 42 percent of his total SecureCare premium with pre-tax dollars.

6. 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.

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

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and the policies 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.

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™ refers to a line of hybrid life/long-term care insurance products issued by Minnesota Life Insurance Company, including SecureCare Universal Life and SecureCare III, a non-participating whole life policy with long-term care. SecureCare (including SecureCare Universal Life and/or SecureCare III) may not be available in all states. Product features, including limitations and exclusions, may vary by state. SecureCare products contain qualified long-term care agreement(s) that cover care such as nursing care, home and community-based care, and informal care as defined in those 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. Additionally, SecureCare products may contain other additional agreements, which may be subject to additional costs and restrictions, and may not be available in all states or exist under a different name in various states.

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.

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