

# Business Owners and Long-Term Care Planning

Financial planning for business owners tends to get very complicated. Not only do business owners focus on the needs of themselves and their families, they have additional concerns for their business and the employees that drive their success. Employee benefits such as insurance and retirement plans help address the needs of employees, however there is one area these benefit plans consistently ignore and that is the need to protect business owners and/or their employees from the potentially devastating effects of Long-Term Care planning

We recognize that most business owners, and their advisors, don't have a strong understanding of the future implications of needing Long-Term Care. In fact, there are very few benefit specialists, financial advisors or insurance professionals positioned to provide education and guidance with respect to Long-Term Care planning. Business owners tend to be successful due to their pro-active nature, and planning today for their future Long-Term Care needs may be one of the most prudent decisions they can make!!

## Special Consideration for Business Owners & Long-Term Care Planning

- **Including Long-Term Care in a benefit plan:** Generally, a business may deduct the cost for accident and health insurance for its employees, their spouses and eligible dependents (IRC §152) – even those costs in excess of the eligible premium. The business owner can provide a tax favored benefit such as Long-Term Care insurance, giving employees significant coverage today with the potential for benefits lasting a lifetime.
- **Linked Benefit Plans:** Business owners have the ability to “link” their Long-Term Care benefits with life insurance they may need anyway. While many business owners may prefer to use low-cost term insurance for their needs, using permanent life insurance (*owned by the business and a potential tax-deductible business expense*) may be a better option. Many of today's best permanent life insurance products provide very attractive living benefits to address Long-Term Care planning needs.
- **Group “Carve Out” Plans:** Current tax law allows business to “carve out” certain plans for highly compensated employees, and Long-Term Care plans can be a potential benefit plan the does not violate the 2010 Patient Protection and Affordable Care Act (PPACA). Since Long-Term Care insurance is exempt from the non-discrimination rules adopted in the PPACA, business owners now have another way to provide tax favored benefits, and may do so for all or their employees or just a small group of employees.
- **Succession Plans & Buy/Sell Agreements:** As business owners age, their “exit strategy” may include a buy/sell agreement or succession plan. By including provisions for Long-Term Care plans in those agreements, the *business* can fund the benefit today, providing benefits for the current owner that will last long AFTER their involvement in the business ends.
- **Maximizing A Health Savings Account (HSA):** Many companies include an HSA in their benefit plan, however very few people know funds in these accounts can be used for LTC planning. Since Long-Term Care plans are a qualified medical expense, (*IRS Notice 2004-50, Q and A 41*), individuals may withdraw money tax-free from their HSA to pay for tax-qualified Long-Term Care plans. Using funds from an HSA is a great tax-advantaged way to plan for the future!!
- **Cash Management Tools:** Many small business owners co-mingle business funds with personal funds, usually in low-yield CDs or Money Market accounts. There are a number of tax-deferred annuities offering higher rates than CDs or Money Market accounts which **include** substantial Long-Term Care benefits. Since business owners are always looking for ways to make their money work harder, this has become an attractive option in today's low interest rate environment.

***Please contact us today so we can help you can begin engaging your business owner clients as they plan for their future, as well as the welfare of their employees.***