



New uses for deferred annuities



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Planning for retirement

- How prepared are most Americans?
- What benefits are really there?
- Dealing with financial setbacks from 2008/09
 - *Biggest financial worry among 55+ population is being able to afford uninsured medical expenses during retirement*
 - *Greater than outliving one's money, lack of personal savings, or lack of Social Security*

Source: Retirement at the Tipping Point



Defining the terms

- **Benefit Triggers**
 - how to qualify for LTC claims
- **Non-qualified**
 - premium from after-tax sources (e.g., CDs, savings, etc)
- **Tax deferred**
 - taxes are not paid until funds are withdrawn
- **Tax-qualified**
 - LTC coverage meeting federal standards to receive tax benefits

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Planning for retirement

- What assets do you own for retirement?
 - CDs?
 - Stocks?
 - IRA?
 - Pension?
 - Social Security?

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Annuities

- Financial tool for people planning for retirement
- Why people buy them:
 - Accumulate tax-deferred interest
 - Availability of guaranteed lifetime income
 - Proceeds can pass to beneficiaries free of probate

Any withdrawals that are considered investment gains are taxed as ordinary income. Withdrawals or distributions made prior to age 59 1/2 may be subject to a 10 percent income tax penalty.

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Annuities



- According to 2005 Gallop survey of Non-Qualified Annuity owners:
 - 81 % intend to use their annuity as a financial resource to avoid being a financial burden on their children
 - 74% intend to use their annuity as an emergency fund in the case of a catastrophic illness or for nursing home care
 - You may be among them

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Annuities



- If you aren't...
 - Do you have money set aside to cover the potential risk of unexpected health care risks?

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Benefits of planning

- Two-fold relief
 - Emotional
 - The worry and burden on families
 - Maintain control of choices
 - Financial
 - Protect finances from erosion
 - Alternative to impoverishment

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Discussion of LTC insurance



- What have you heard?
- Do you have friends or family with experiences?
- Have you heard of new uses for deferred annuities to provide protection?

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The Pension Protection Act (PPA), 2006

- Gives more advantages to non-qualified annuity owners wanting to fund their own LTC coverage
- Only specific types of annuities qualify

*Annuity tax advantages**

- Qualifying LTC claims paid from the annuity's cash value are tax-free as a reduction of cost basis
- Extension of benefit options and riders will be considered tax-qualified and benefits paid from them are income tax-free
- Qualified LTC coverage, under section 7702B of HIPAA, can now be added to annuity contracts.

* Provisions are effective Jan. 1, 2010
(for contracts and/or riders with tax-qualified LTC coverage)

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Annuities that won't qualify for PPA advantages



- Annuities that don't benefit from the PPA:
 - Annuities with nursing home or similar waivers of surrender charges
 - Immediate annuities
 - Annuities funded by IRAs, 401(k)s, etc.

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One possible solution for clients



- *Annuity Care*®

- Uses structure of fixed-interest annuity to provide LTC protection
- Guaranteed minimum interest rate
- Existing asset can be repositioned – no annual premiums required

Annuity Care® is a single premium deferred annuity, medically underwritten and issued by The State Life Insurance Company, Indianapolis, Indiana. It may credit additional interest to amounts withdrawn for qualifying long-term care expenses. Policy Forms: SA34, R508. Not available in all states.

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Annuity Care

- Eligible for tax advantaged LTC distributions under PPA
- Other features:
 - Earns tax-deferred interest each year
 - Provides funds to cover monthly LTC benefits
 - Optional lifetime protection with guaranteed premiums
 - Benefits available to either or both spouses on one policy

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Annuity Care



- “But what if I never need or use LTC?”
- Win/Win solution
 - If you need LTC, money is available on tax-advantaged basis (effective 1/1/2010)
 - If you don’t, the unused benefits pass to your named beneficiary

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Start building your plan

- Questions
- Next Steps:
 - Discuss options
 - Review existing plan
 - Take action – own your solution

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