

How to transfer IRAs to LTC insurance

Nearly 10,000 baby boomers are turning 65 every day, and they will for the next 16 years. Where will they get the money to purchase long-term care insurance (LTCI)?

Most LTCI owners are deeply concerned about the shocking price increases in policies this past year. Forbes reported that the increases in LTCI premiums may be between 45 percent and 85 percent in 2013 alone!

The question I am asking you this month is: How can one use IRA assets to pay for long-term care insurance? Is it really possible to transfer IRA money into tax-free LTCI?

Don Quante, in his book "Don't Go Broke in a Nursing Home," explains how IRA money can be used to pay for the cost of LTCI. "Some people have chosen to take a portion of their

period, makes equal distributions internally to the insurance carrier and funds the life insurance. Each year, for 20 years, the owner of the IRA annuity will receive a 1099-R (the IRS tax form that reports the taxable amount of an IRA distribution) on the amount of the IRA that is moved annually to fund the life insurance policy."

Let's look at this as a case study: Tim is recently widowed and retired. He has a moderate guaranteed income through both the Wisconsin Re-



BRENT WELCH, CFP, ChFC, CLU, is founder and managing member of Welshire Capital LLC. Reach him at www.welshirecapital.com.

tired friends, he is IRA rich and doesn't have a ton of money in the bank.

By repositioning \$157,000 of his \$500,000 IRA into an IRA-based annuity that is used to fund his LTCI, he will create a death benefit of about \$250,000 and LTCI benefits that may cover up to \$5,367 of monthly expenses incurred from an extended medical expense. This annual benefit of approxi-

mately \$64,404 can be used to provide Tim with home health care, assisted living, adult day care or even skilled nursing home care.

Tim can now rest more easily knowing that part of his taxable IRA is being converted over the next 20 years to a potentially tax-free stream of money that can help him pay for home health care, assisted living, adult day care, or even skilled nursing care. If Tim dies before needing cash for an extended medical need, his taxable IRA may be transformed into a tax-free life insurance death benefit. In addition to the above benefits, should he ever need to withdraw his \$157,000, this type of policy offers a full refund of premium.

You should be ready to advise your clients about all of these newer life insurance benefits. Who would have thought your IRA could fund your long-term care needs? ◀▶

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IRA and fund an IRA-based annuity, which then systematically funds a 20-pay life insurance plan with long-term care features. This type of IRA-based long-term care policy is unique in the sense that it starts out as an IRA annuity policy, also known as a tax-qualified annuity, and then, over a 20-year

tirement System and Social Security. He has also been a saver his whole life and max-funded his 401(k) and IRA plans. Tim's main concern now is to protect what he worked so hard to build. Tim wants LTCI but needs to spend most of his guaranteed pension income on his current lifestyle. Like many of his re-