

## The Immediate Annuity Solution to Long Term Care

The most frequent reason I hear from people delaying long term care coverage is, "it costs too much." In my booklet on long term care, I have outlined 6 ways to reduce the cost. Here's yet another idea to avoid taking money from your pocket.

I met a woman in her early 70's. She expressed interest in long term care coverage that would cost about \$1000 annually. She said she already felt poor and did not want to spend any money on insurance. I noticed however that among her many assets was a small \$10,000 annuity, I asked her if she ever withdrew any money from it. She said no and I pointed out the following idea:

Annuitize (take monthly payments) the annuity for life. Such an annuity would generate a lifetime payout of approximately \$1000 annually—just the amount needed to get important long term care coverage. This is money she is not using anyway so it has no effect on her spending or pocket book. By committing this small asset, this \$10,000 annuity, it will fund her long term care premiums for life (assuming level premiums).

Note: there will be some taxes on the immediate annuity income which is affected by age and basis in the contract.

If you would like to see how this would work for you, write in your age on the attached coupon and I will send you a personalized printout, showing which type of long term care protection could be funded by a single deposit into the immediate annuity.

## The Immediate Annuity—Old Investment Revamped for Modern Times

The word “annuity” brings to mind different meanings for many investors. That’s because there are different types of annuities designed for different purposes. The oldest of these is the immediate annuity long used to generate a lifetime retirement income. The structure is well known as follows. (continued - see *Immediate Annuity* col. 1, page 2) The major drawback is an early death. In such a case, the annuity company keeps the funds and the income ends. This early-death financial risk has been a negative aspect for some investors. However, now there is a solution as some annuity companies will guarantee return of the investment to heirs in the case of an early death. The feature is called “life payments with installment refund.”

We currently have investors using immediate annuities for the purposes mentioned above. If you have interest in a stream of income you cannot outlive and knowing that you cannot lose principal in the case of early death, check off on the enclosed coupon for the brochure on immediate annuities.

*(Wrap Trust, continued from page 1)* The wrap trust is an irrevocable trust with the following benefits:

1. Assets (life insurance, cash, investments) can be removed from the estate and placed in the trust
2. The parents can borrow from the trust and the loan needs never be repaid during the parent’s lifetime (the parents are in effect, borrowing from themselves)
3. The assets in the trust are protected from creditors

The parents retain their liquidity because they can borrow from the trust at any time, yet the assets are removed from the estate and from the reaches of IRS. This is a far more flexible arrangement than the typical “life insurance trust” recommended by many advisors.

If you will have an estate exposed to taxes (current value \$1.25 million) then setting up a wrap trust can be the solution. To determine if this can help save your family significant estate taxes, please call to schedule an estate planning review. (The WRAP Trust™ is a trademark of James Blase, JD,LLM St. Louis Missouri).