

Long-term Care Planning: Understanding the Need and Planning Solutions using Life Insurance

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Nationwide® Advanced Consulting Group



Nationwide

On Your Side®

Some things you need to know

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Some things you need to know

- Nationwide products and services are not suitable for all clients and/or situations, and there may be Non-Nationwide products that better suit your clients' goals. Furthermore, you should consider all of your clients' objectives and needs, including cash flow and liquidity needs, as well as overall risk tolerance when using any strategy.
- As your clients' personal situations change (i.e., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure these strategies and products are suitable for long-term life insurance needs. You should weigh your clients' objectives, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in the policy. Variable life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as gender, health and age, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your clients' individual needs.
- The underlying investment options to a variable annuity or life insurance product are not publicly traded mutual funds and are not available directly for purchase by the general public. They are only available through variable annuity/variable life insurance policies issued by life insurance companies

Some things you need to know

- This information assumes that the life insurance is not a modified endowment contract, or MEC. As long as the contract meets the non-MEC definitions of IRC Section 7702A, most distributions are taxed on a first-in/first-out basis. Surrender charges may apply to partial surrenders. Loans and partial surrenders from a MEC will generally be taxable, and if taken prior to age 59 ½, may be subject to a 10% tax penalty. Loans and partial surrenders will reduce the cash value and the death benefits payable to your beneficiaries, and withdrawals above the available free amount will incur the surrender charges. If your contract were to lapse with a loan outstanding, the loan amount in excess of basis will be treated as a distribution and all or a portion will be subject to income tax.
- Life insurance is issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio, member of Nationwide Financial®. The general distributor for variable insurance products is Nationwide Investment Services Corporation, member FINRA.
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• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

Long Term Care

- Long Term Care coverage is offered as a rider on most permanent life insurance policies offered by Nationwide. Keep in mind that the client may not qualify for life insurance and thus, would not currently have the opportunity for long term care coverage with Nationwide.
- Keep in mind that as an acceleration of the death benefit, the LTC rider payout will reduce both the death benefit and cash surrender values. Care should be taken to make sure that your clients' life insurance needs continue to be met even if the rider pays out in full. There is no guarantee that the rider will cover the entire cost for all of the insured's long-term care as these vary with the needs of each insured.

Agenda

- Long-term Care:
 - The need
 - Client perceptions and LTC reality
 - The cost
 - The dilemma
- Nationwide's LTC Cost Calculator Tool
- The Nationwide LTC Product Solutions
- LTC Funding Strategies and Case Studies

Protecting assets



1 out of 1200¹
Chances of losing
a home to fire:

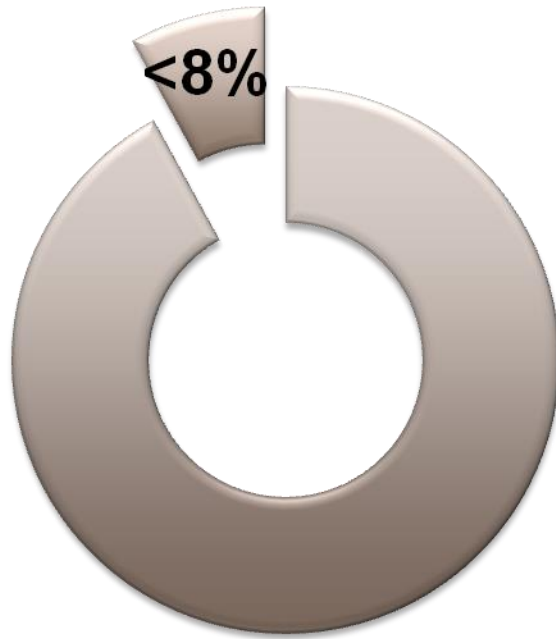


7 out of 10
Americans over age 65
will need some form of
long-term care²

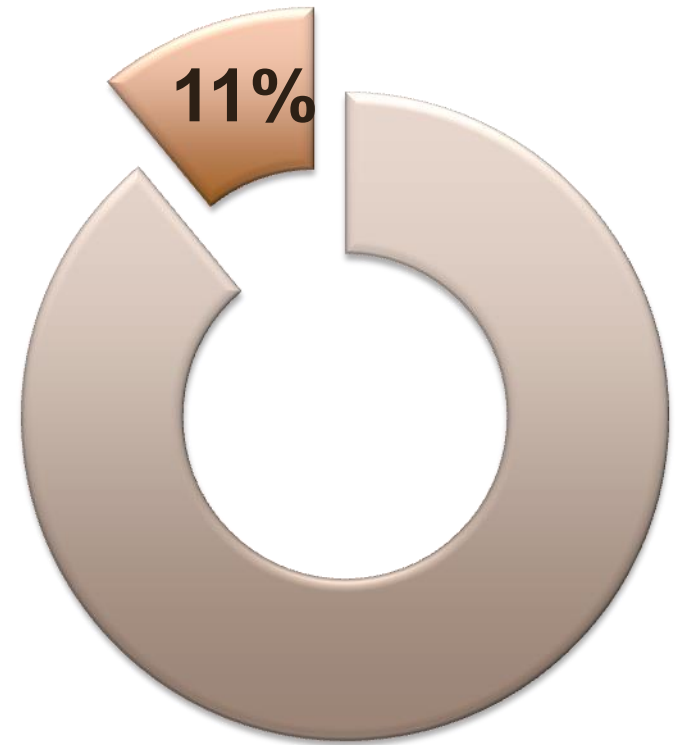
¹LTC Tree – “Long Term Care Insurance Pros and Cons” - February, 2013.

² 2014 Medicare & You, National Medicare Handbook, Centers for Medicare & Medicaid Services, September 2013

America is underinsured for LTC



Less than 8% of Americans have purchased LTC¹



Only 11% of adults age 55 and older have LTC coverage in place

¹ Longtermcare.gov-Department of Health and Human Services, December 2012

² Many Americans Worry About Cost of Long-Term Care: Poll. U.S. News & World Report. Sept. 30, 2013

Client Perceptions Of Long-term Care

“I won’t need it”

“Loss of premium”

“Expensive”

“Complicated”

?

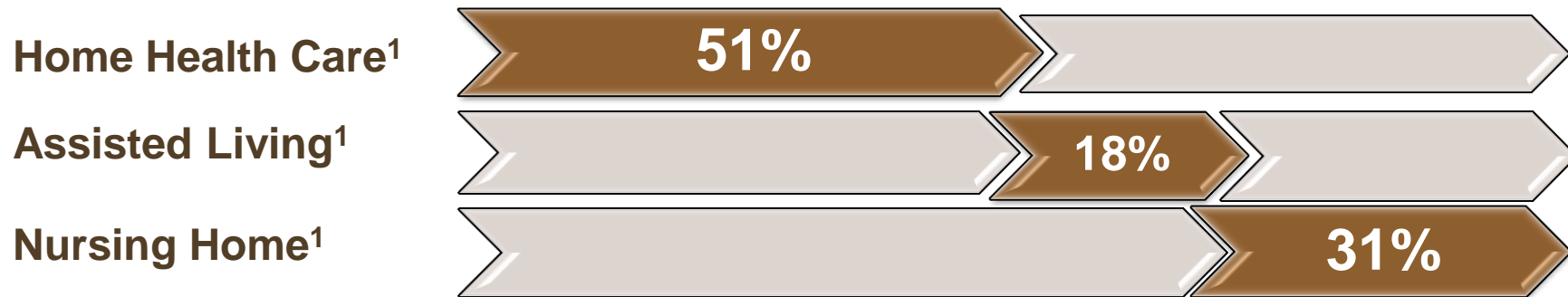
“Other obligations”

“Skeptical”

“The government pays for it”

- The wrong opening will kill the discussion
- *Avoid* the term “long-term care” in the beginning

How Claims Begin and End



- Claims expected to **quadruple** from 2012 to 2032²
- Length of claims are increasing³
 - A claim lasting at least 1 year will average 3.9
 - 15% of claims will last 5 years or longer³
 - in the late 90's the figure was 5%⁴

38%
entering a
nursing home
fully recover
or continue
care
at home³

¹American Association for Long-term Care Insurance (AALTCI) 2012-2013 Sourcebook

²Insurance News Net – “Long Term Care Claims Expected to Quadruple in 20 Years, Aug. 5, 2013

³Navigo – Long Term Care Insurance Statistics: June 2013 Update, June 30, 2013

⁴ Source - NCPC- National Care Planning Council – October 2012

The Cost of Long-term Care

Nursing Home Private

- \$230 per day
- \$83,950 per year
- \$251,850 for a 3 year claim

Nursing Home Semi-Private

- \$207 per day
- \$75,405 per year
- \$226,215 for a 3 year claim

Assisted Living

- \$3450 per month
- \$41,400 per year
- \$124,200 for a 3 year claim

- Average cost of a home in 2013- \$196,300²

1 Genworth 2013 Cost of Care Survey

2 National Association of Realtors, Dec. 19,2013 and Y-Charts, Nov. 30, 2013

The Cost of Long-term Care

Home Health Care

- Averages \$19 per hour¹
- Annual Cost - \$44,479²
- 3.9 year claim = \$173,468

Adult Day Care

- Averages \$65 per day¹
- Annual Cost - \$16,900³
- 3.9 year claim = \$65,910

¹ Genworth 2013 Cost of Care Survey

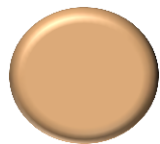
² Based on 44 hrs a week, 52 weeks a year

³ Based on 5 days a week, 52 weeks a year

Typical LTC Buyer



Age 55-64



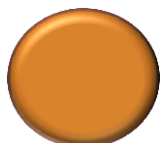
Married with Adult Children, Homeowner



White collar profession, not yet retired



Owens life insurance, conservative investments



Household income of \$100,000 or more



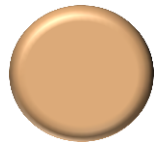
Have experienced LTC challenges with a relative

Source: *Consumer Study- "Understanding Long-Term Care Buyers, May 2013*

Top Reasons People Buy LTC



Protect Assets



Avoid burdening loved ones



Have a choice of where care is received



Remain as independent as possible



Remain in and receive care in their own home

Source: *American Association for Long-term Care Insurance (AALTCI) 2012 Sourcebook*

Women and long-term care

More likely to
purchase
LTC

- Women¹
- Twice as likely to purchase LTCi than men²
- Purchase more of hybrid LTC solutions²

More
Claims

- Women comprise 67% of LTC claims²
- Women comprise 70% of the LTC benefit dollars²
- Twice the incidence of HHC and NH Claims²

Longer
Claims

- Women are twice as likely to exceed a 3 year claim⁴
- Women need care 1.7 times longer than men⁷

Caregivers

- Women comprise 75% of informal unpaid caregivers⁴
- Women lose average of \$565,000 in lost wages/benefits⁵
- 60% of spouses providing care will pre-decease patient⁶

¹ Consumer Study- "Understanding Long-Term Care Buyers, May 2013 ²American Association for Long-term Care Insurance (AALTCI) 2014 Sourcebook, Sept. 2013.....⁴AALTCI American Association for Long-Term Care Insurance, Jan. 2013⁵ Minnesota Women's Press, "Take Time to Make Long-term Care Plans, Nov. 2013.....⁶Hidden Costs of Being a Family Caregiver" – Ron Kauffman, Tryon Daily Bulletin, Feb. 12, 2013....⁷Long-Term Care Insurance ASPE Research Brief, U.S. Dept. of Health and Human Services, June 2012

What are the options for funding long-term care needs?

- **LTC client misconceptions**
 - **Self-insure**: For the wealthy, and should they self-insure?
 - **Medicaid**: For the impoverished, not the general public
 - **Medicare**: Only covers up to 100 days and requires substantial co-pay after 20 days
 - **Health insurance**: Does not cover LTC expenses
- **LTC solutions that insures the risk**
 - Long-term care stand alone policy
 - Long-term care with life insurance – Linked Benefit LTC
 - Life insurance with a LTC rider/Chronic Illness Rider

Nationwide Can Help with Long-term Care Planning Estimates

Clients may be at a loss on where to start.

What are typical client questions?

- “When will I need care?”
- “How much will it cost?”
- “Is there a way to estimate the rising cost of care?”


Nationwide can help with a LTC Assessment

- Estimates age care will be needed.
- Provides cost estimates for:
Home Health Care, Assisted Living, and Nursing Home
- Includes inflation estimations

Long-term Care Cost Assessment

Considerations include:

- Current health condition of client
- Geographical location
- Historical LTC inflation factors



Complete this form and return to the Income Planning Desk:
 IPLNDESK@nationwide.com
 Fax: 855-256-4220 • Phone: 1-877-245-0763

Health Care Cost Assessment Fact Finder

Date: _____

Report type:
 Medicare costs only
 Medicare and long-term care costs
 Long-term care costs only

Investment Professional's Information
 First Name: _____ MI: _____ Last Name: _____
 Broker/Dealer: _____
 Email: _____ Phone: _____ Fax: _____
 Is this an advisor self-assessment?
 Yes
 No
 Wholesaler name (if applicable): _____

Client and Spouse/Partner Information Couples and partners sharing a household should complete all of the fields below, even if you are planning for only one spouse or partner. The assessment considers the availability of receiving care from a spouse or partner in determining the health care and long-term care cost estimate.

	First Name	Last Name	Gender	Current Age	Retirement Age	Retirement Location	
						State	Metro Region (see back for full list)
Client							
Spouse/ Partner							

<b style="color: #0070C0;">Assessment Questions (Check Yes or No)	Client's Response	Spouse's/Partner's Response
If you plan to retire prior to age 65, will you need to purchase private health insurance?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Current health*		
Diagnosed with high blood pressure?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Diagnosed with high cholesterol?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Diagnosed with type 1 diabetes?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Diagnosed with type 2 diabetes?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Diagnosed with cardiovascular disease?	<input type="checkbox"/> Yes <input type="checkbox"/> No Years since diagnosis: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No Years since diagnosis: _____
Diagnosed with cancer?	<input type="checkbox"/> Yes <input type="checkbox"/> No Years since diagnosis: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No Years since diagnosis: _____
Diagnosed with multiple sclerosis?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Lifestyle & health history		
Currently a tobacco user?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Dependent on cane, walker or wheelchair?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Family history of diabetes or cardiovascular disease?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

NATIONWIDE USE ONLY
 RLC NFN BGA Institute Other

* Assessment is not designed for persons already diagnosed with Alzheimer's, Parkinson's or other disqualifying conditions.

Long-term Care Cost Assessment

The client, John, is estimated to need LTC services at age 79



Client

The following shows long-term care summary and cost information for Client in OH, metro region Columbus. Projected amounts are expressed as future dollars.

Should you need long-term care, it is projected to begin around age 79 in 2033.

	Home Health Care	Assisted Living Facility	Nursing Home Care
Annual Cost Today	\$44,616	\$48,600	\$76,650
Projected Inflation Rate*	1.0%	4.0%	4.0%
Projected Annual Cost at Claim	\$54,440	\$102,393	\$167,950

The spouse, Jane, is estimated to need LTC services at age 88



Partner

The following shows long-term care summary and cost information for Partner in OH, metro region Columbus. Projected amounts are expressed as future dollars.

Should you need long-term care, it is projected to begin around age 88 in 2042.

	Home Health Care	Assisted Living Facility	Nursing Home Care
Annual Cost Today	\$44,616	\$48,600	\$76,650
Projected Inflation Rate*	1.0%	4.0%	4.0%
Projected Annual Cost at Claim	\$60,136	\$145,737	\$239,045

Jane's total for a 3 year claim –

Home Health Care =
\$180,404
 Assisted Living =
\$437,211
 Nursing Home =
\$717,135

Projected Inflation Rate* 1.0% 4.0% 4.0%

Annual Long-term Care Costs*





Product Solutions from Nationwide to meet Client's LTC Concerns

An alternative solution from Nationwide - Life Insurance with LTC Rider

An alternative solution is Nationwide's Long-term Care rider:

- LTC benefit paid tax free as accelerated death benefit
- Death benefit provides pool of money
 - Someone receives money as LTC and/or death benefit
- Cash value
- Some contracts are guaranteed for life of insured
- LTC benefit reduces death benefit dollar for dollar

Qualifying for a LTC Benefit

Licensed Health Care Practitioner must certify either:

- Cognitive impairment
 - includes Alzheimer's and dementia
- OR
- Two ADLs impaired
 - Unable to perform 2 or more of activities of daily living:
 - Bathing, dressing, continence, eating, toileting, transferring
- One-time 90-day elimination period
 - May be met over a 730 day time period

What benefit will client receive?

- LTC benefit is lesser of:
 - 2% per month of death benefit/rider amount OR
 - Daily per diem rate in the given year of claim established by HIPAA, times days in the month
 - 2013 per diem rate = \$330/day

- Example of a claim in 2013:

\$600K life insurance with \$600K LTC rider

Benefit is lesser of:

2% per month of LTC amount - \$12,000 per month

OR

HIPAA per diem of \$330/day x 30 days in month = \$9,900

(or \$10,230 in a 31 day month)

In this case, client would receive \$9,900/ in a 30 day month

Benefit lasts at least 4 years & 2 months*

Note: the 2014 per diem amount allowed by Health Insurance Portability and Accountability Act is \$330 per day.

**Assuming no loans or withdrawals have been taken prior to collecting LTC benefit.*

What is covered?


- Covered benefits include:
 - Nursing home
 - Home health care
 - Assisted living
 - Adult day care
 - Hospice
 - Any other state certified LTC service
- Indemnity-style plan
 - Benefit paid to owner of contract
 - Direct payment – no receipts!
 - No monthly verification of billable services needed

Other features

- Issue ages 21-80 on most products
- Lapse Protection Provision
- Tax-free benefits (even on a MEC)
- Guaranteed minimum death benefit (not available in NY, or VI)
- Benefits may be payable outside US
- Available on most Nationwide permanent individual life insurance policies (not available in all states)

LTC and Chronic Illness Riders Differ

- **LTC riders qualified under 7702(B)**
 - Can be marketed as a long-term care product
 - Pays benefits for temporary as well as permanent conditions
 - LTC Riders usually offer possibility of an excess residual death benefit (per state approval)
 - Some states have an 8 hours CE requirement
- **Accelerated death benefit for chronic illness riders – 101(G)**
 - Can NOT be marketed as long-term care coverage
 - Temporary conditions are generally not eligible for claim; Must be non-recoverable
 - Has no excess residual death benefit
 - May require a percentage or monetary amount to remain untapped to provide a final death benefit

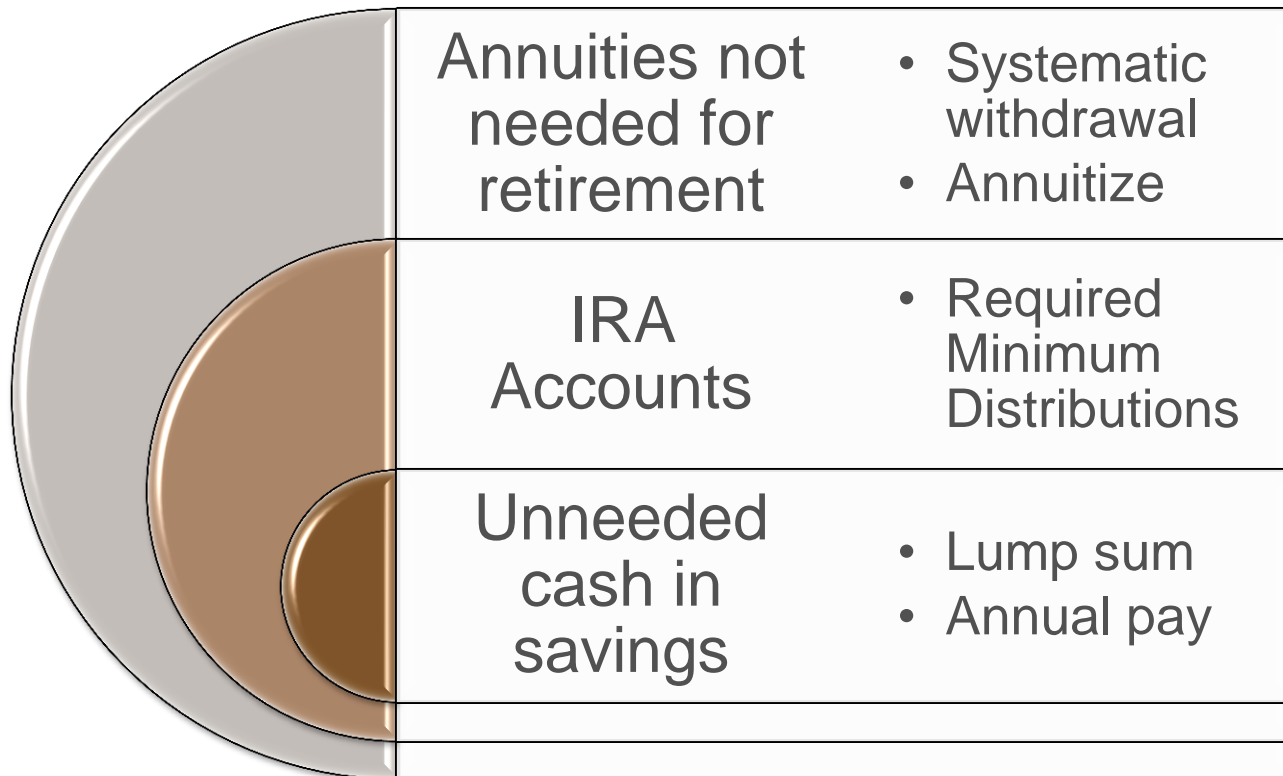


Long-Term Care Funding Strategies and Hypothetical Case Studies

The following case studies are hypothetical and are not meant to portray a particular client or client situation. Life insurance death benefits used in these hypothetical situations are subject to the claims paying ability of the issuing company.

Funding strategies for long-term care

Premium to pay for Long-term Care coverage can come from a variety of sources



Self-insure vs. Life Insurance with LTC Rider

Re-purposing an Annuity

\$100,000 annuity
\$68,000 cost basis

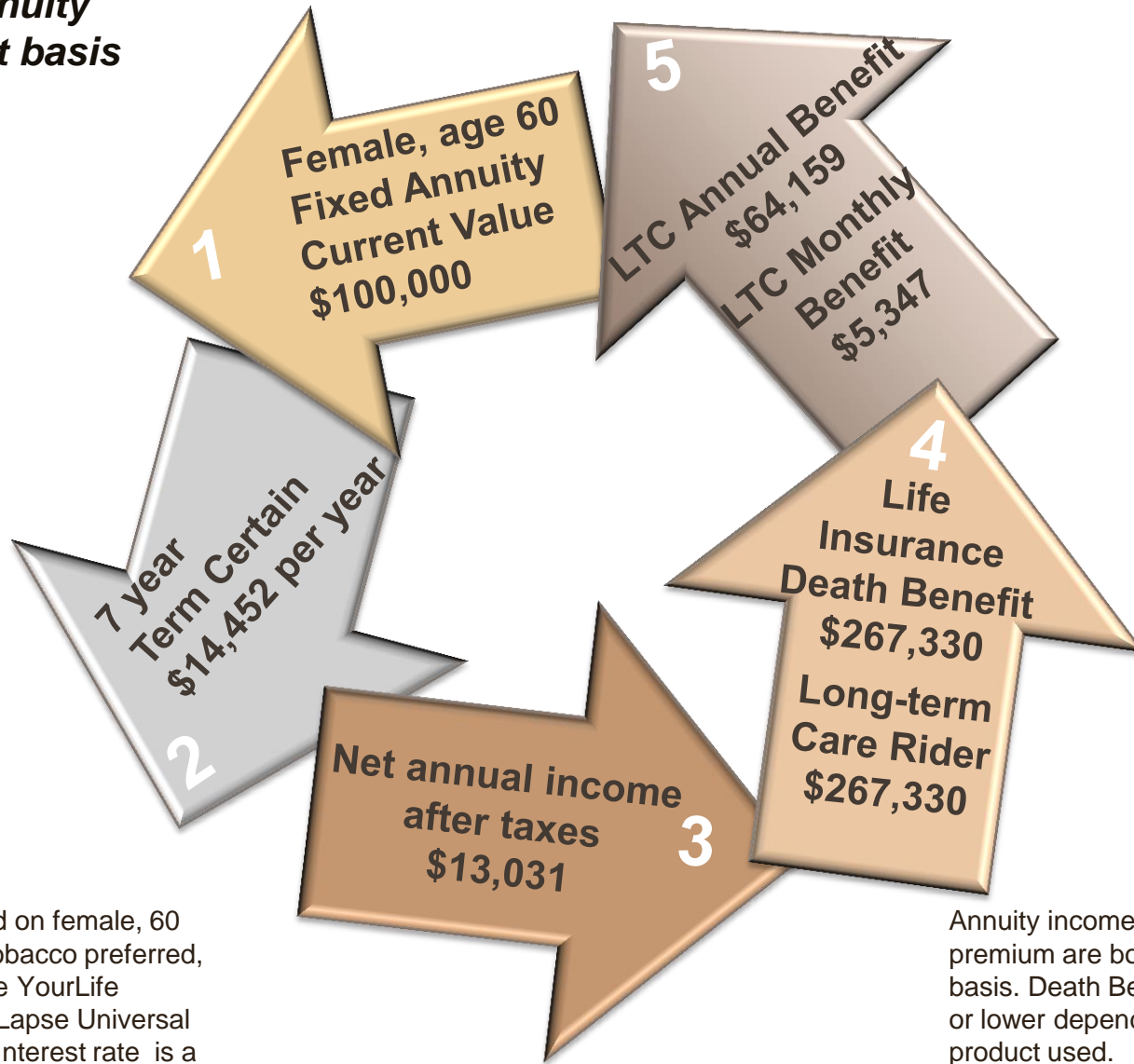


Illustration based on female, 60 years old, non-tobacco preferred, using Nationwide YourLife Guaranteed No Lapse Universal Life Insurance. Interest rate is a guaranteed 3%.

Annuity income and Life Insurance premium are both paid on an annual basis. Death Benefit could be higher or lower depending on life insurance product used.

Self-insure vs. Life Insurance with LTC Rider

Repurposing a Certificate of Deposit

\$200,000

Current Assets

In 28 years (age 93)

\$599,741

Minus taxes on interest

Minus capital gains taxes

Minus tax owed on annuity gain

Assets go through probate

Life Insurance

Today

\$603,730 or more

Plus long-term care rider

Plus no tax on growth

Plus no federal income tax
to beneficiary

Plus no probate

Illustration based on female, 65 years old, non-tobacco preferred. Interest rate on certificate of deposit is assumed at an annual rate of return of 4%. Death benefit could be higher or lower depending on life insurance product used.

Self-insure vs. Life Insurance with LTC Rider

Repurposing a Certificate of Deposit

\$200,000

Current Assets

In 28 years (age 93)

\$599,741

Minus taxes on interest

Minus capital gains taxes

Minus tax owed on annuity gain

Assets go through probate

Life Insurance

Today

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Illustration based on female, 65 years old, non-tobacco preferred. Interest rate on certificate of deposit is assumed at an annual rate of return of 4%. Death benefit could be higher or lower depending on life insurance product used.

LTC for “younger” Clients

Indexed UL - Planning for today and the future

Amber, a 47 year old female* – needs family protection now, has LTC concerns due to family experience, and desire to enhance legacy to beneficiaries

Amber estimates LTC expenses and wants to insure for \$600,000

Use Nationwide YourLife® Indexed UL with a Long-Term Care Rider for potential cash value growth and flexibility should client’s current goals change in the future

\$600,000 life insurance with LTC Rider

- Value Today: \$600,000
- Annual premium – pay to age 67 (assuming adequate CV growth)
- No tax on any cash value growth
- Provides family protection today
- LTC protection now or in the future
- \$12,000 per month LTC benefit (or HIPAA cap if less)
- Potentially preserves and/or enhances legacy to heirs
- No federal income tax to beneficiary

* Amber is 47 years old, female and rated non-tobacco preferred. Product used is Nationwide YourLife Indexed Universal Life insurance with 20 planned annual premium payments. Crediting rate is 6.25% using monthly averaging. Death Benefit could be higher or lower depending on life insurance product used.....** Based on Nationwide Health Care and LTC Calculator Tool



Questions?

What if you could have a product that:

- re-positions an asset to provide:
 - a LTC benefit pool 3 to 8 times premium for most*
 - a death benefit more than premium paid
 - a full return of premium feature
 - full indemnity monthly LTC benefits
- turns an expense into an asset
- provides guaranteed LTC benefits for a given premium

The solution:

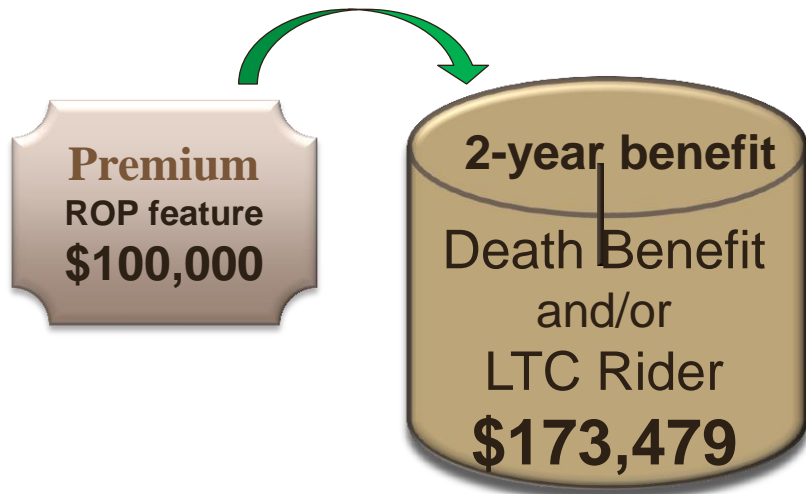
Nationwide YourLife CareMattersSM

Nationwide YourLife CareMattersSM

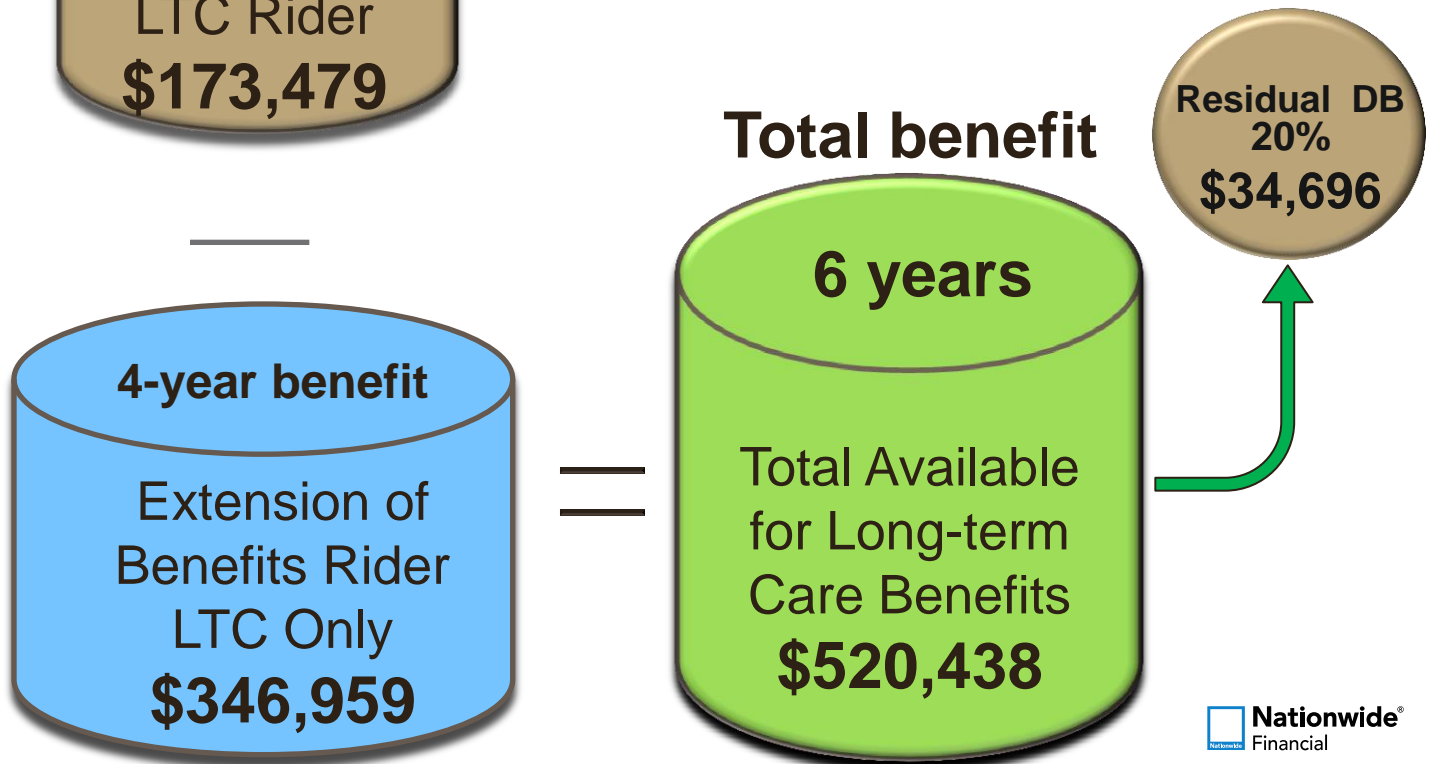
CareMattersSM Key Features

- **Full Return of Premium**
- **Indemnity-style Benefits**
- **20% Guaranteed Minimum Residual death benefit**
- **Informal Caregivers allowed – family, friends**
- **Optional Benefit Banking available**
- International Benefits (subject to additional requirements)
- Guaranteed Cash Value is never lower than premiums paid
- Inflation protection option – 3% simple, 5% compound
- Issue ages 40–75
- Claims — 90-day elimination period
- Lapse protection

Nationwide YourLife CareMattersSM - How it Works

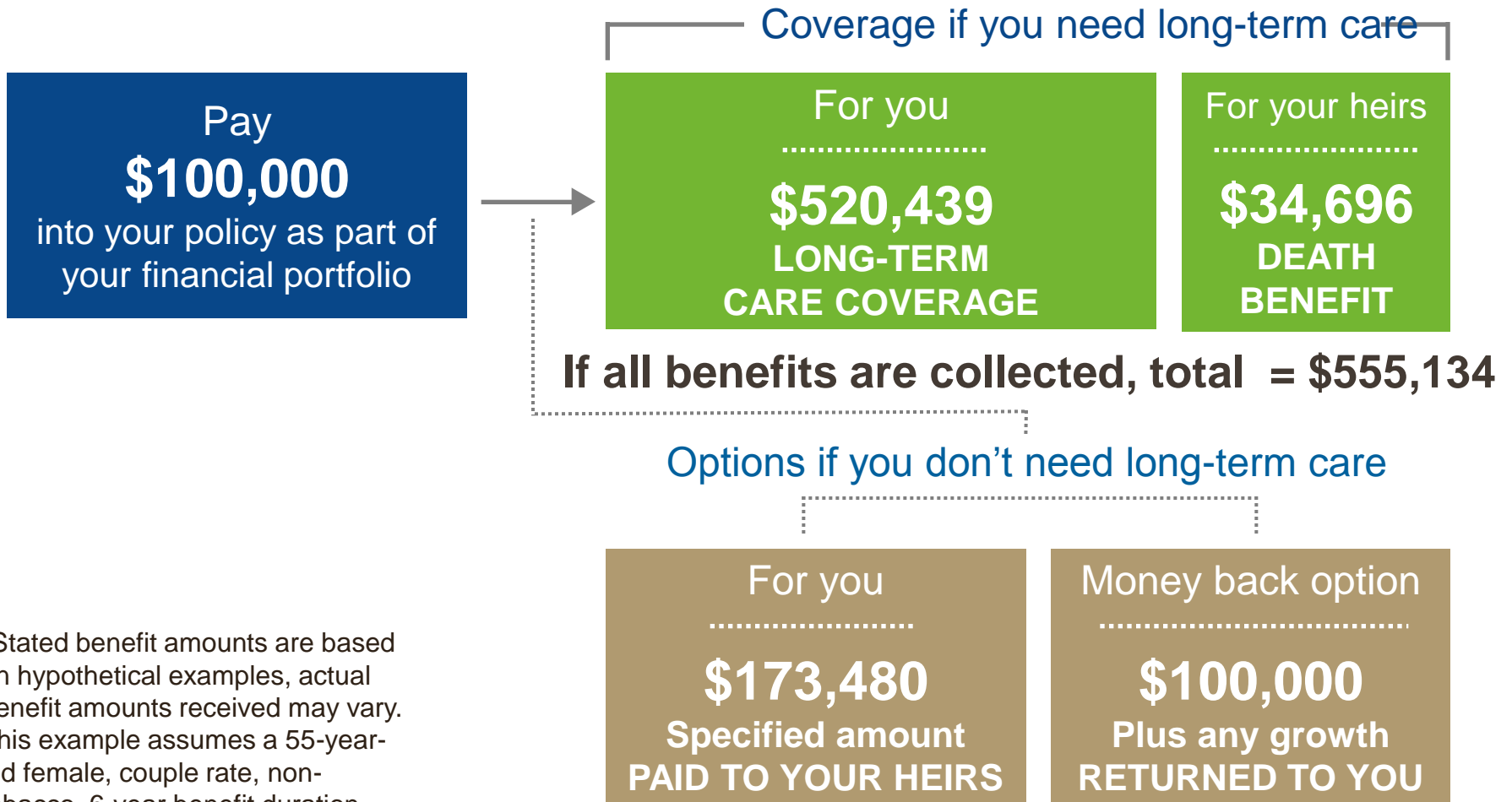


- Return of Premium
- 1st benefit pool is accelerated first
- 2nd benefit pool is for LTC benefits only
- Total LTC benefit is total of both pools
- DB at least 20% of Specified DB Amt.



*Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes: a 55-year-old female, couple rate, non-tobacco, 6-year benefit duration, and no inflation option

What the Policy Owner Receives



*Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes a 55-year-old female, couple rate, non-tobacco, 6-year benefit duration, no inflation option.

How CareMattersSM works for the Affluent

Self Insuring

Keep
\$100,000
in your financial portfolio to
pay for Long-term care
If you need LTC

Pay the first
\$100,000
for Long-term care
expenses from this asset

then

Use more of your own
money to pay for
additional LTC bills

Placing Asset with CareMattersSM

Pay
\$100,000
\$520,439 of LTC
Remains part of your financial portfolio
If you need LTC

First
\$100,000
Use your own money for LTC benefits

then

Nationwide's pays monthly
LTC benefits up to an
additional
\$420,439

+

For your
heirs
\$34,696
DEATH
BENEFIT

*Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes a 55-year-old female, couple rate, non-tobacco, 6-year benefit duration, no inflation option.

Nationwide

- Advisors can help increase client awareness of:
 - The need for Long-term care
 - The impact lack of planning can have financially and on families
 - Limitations of state, federal and other programs
- Long-term care planning
 - Preserves assets and helps increase the chances of a successful retirement plan
 - At younger ages is less expensive and more likely insurable
- Nationwide can help with
 - LTC calculator tool
 - Indemnity LTC coverage on life insurance

Questions?

Independent Dealer:	1-800-321-6064
Financial Institutions:	1-800-893-5399
Wirehouse/Regionals:	1-800-720-1511
Nationwide Agents:	1-888-333-4202
Nationwide Financial Network:	1-877-223-0795
BGA:	1-888-767-7373