



A Simplicity Company

## AB LTC CASE STUDY #1



Meet Jane. She is 58 years old and has been a public school teacher for over 30 years. She was widowed about 10 years ago and has two adult children that live in other states. Her father passed away about 8 years ago, and since then, her 84-year-old mother has suffered two strokes and needed extensive care. The mental toll on Jane has been enormous, as were the costs to provide the required care. She watched helplessly as the assets her parents worked so hard to accumulate over their lifetime quickly disappeared.

Jane has a CalSTRS retirement plan and a substantial TSA she has contributed to for many years, which are more than ample to provide the necessary income for her when she stops working. She also has \$150,000 in a few CDs and a money market account at her bank.

Jane is very concerned about burdening her children with any of her future care needs. She also wants to protect her assets from the extreme costs of long-term care and hopefully leave something for her children when she passes away.

She is very interested in our strategy of repositioning assets to leverage them to pay for long-term care needs that we often refer to as Asset-Based Long Term Care insurance. Her preference would be to move her CD and money market money, but because much of it is in CDs with different maturity dates, moving it all at once might cause some penalties, which may be undesirable. She is considering the difference between transferring it all at once versus over 5 years or over 10 years. She was also interested in seeing the difference in benefits between designs that vest her premium earlier vs. later. Vesting refers to how much access to her premium she would have if she changed her mind and decided to move it to another financial instrument. The chart below compares many of the available options for her to consider.

| Female, single, age 58, CA, NQ \$ - Nationwide CareMatters Comparison |                   |                        |                     |                    |                                 |                                 |                                  |                                  |                     |                      |                        |
|---|-------------------|------------------------|---------------------|--------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------------|----------------------|------------------------|
| Annual Deposit Amount   | Years of Deposits | Total Amount Deposited | Total Death Benefit | Total LTC Benefit* | Surrender Value - End of Year 1 | Surrender Value - End of Year 6 | Surrender Value - End of Year 10 | Surrender Value - End of Year 20 | LTC Monthly Maximum | Months of LTC at Max | Residual Death Benefit |
| \$150,000   | 1                 | \$150,000              | \$242,376           | \$484,751          | \$127,500                       | \$150,000                       | \$150,000                        | \$157,307                        | \$10,099            | 48                   | \$48,475               |
| \$150,000   | 1                 | \$150,000              | \$233,211           | \$583,028          | \$127,500                       | \$150,000                       | \$150,000                        | \$151,359                        | \$9,717             | 60                   | \$46,642               |
| \$150,000   | 1                 | \$150,000              | \$228,653           | \$685,961          | \$127,500                       | \$150,000                       | \$150,000                        | \$150,000                        | \$9,527             | 72                   | \$45,730               |
| \$150,000   | 1                 | \$150,000              | \$293,289           | \$586,577          | \$108,994                       | \$127,435                       | \$143,818                        | \$190,350                        | \$12,220            | 48                   | \$58,658               |
| \$150,000   | 1                 | \$150,000              | \$283,110           | \$707,776          | \$105,212                       | \$123,012                       | \$138,826                        | \$183,744                        | \$11,796            | 60                   | \$56,622               |
| \$150,000   | 1                 | \$150,000              | \$276,582           | \$829,747          | \$102,786                       | \$120,176                       | \$135,625                        | \$179,507                        | \$11,524            | 72                   | \$55,316               |
| \$30,000  | 5                 | \$150,000              | \$214,253           | \$428,506          | \$25,500                        | \$150,000                       | \$150,000                        | \$150,000                        | \$8,927             | 48                   | \$42,850               |
| \$30,000  | 5                 | \$150,000              | \$201,809           | \$504,523          | \$25,500                        | \$150,000                       | \$150,000                        | \$150,000                        | \$8,409             | 60                   | \$40,361               |
| \$30,000  | 5                 | \$150,000              | \$198,225           | \$594,675          | \$25,500                        | \$150,000                       | \$150,000                        | \$150,000                        | \$8,259             | 72                   | \$39,645               |
| \$30,000  | 5                 | \$150,000              | \$264,213           | \$528,428          | \$24,031                        | \$114,802                       | \$129,560                        | \$171,480                        | \$11,009            | 48                   | \$52,842               |
| \$30,000  | 5                 | \$150,000              | \$255,551           | \$638,879          | \$23,243                        | \$111,038                       | \$125,313                        | \$165,858                        | \$10,648            | 60                   | \$51,110               |
| \$30,000  | 5                 | \$150,000              | \$248,069           | \$744,209          | \$22,562                        | \$107,787                       | \$121,644                        | \$161,002                        | \$10,336            | 72                   | \$49,613               |
| \$15,000  | 10                | \$150,000              | \$194,293           | \$388,588          | \$12,750                        | \$83,250                        | \$147,750                        | \$150,000                        | \$8,096             | 48                   | \$38,858               |
| \$15,000  | 10                | \$150,000              | \$187,199           | \$467,999          | \$12,750                        | \$83,250                        | \$147,750                        | \$150,000                        | \$7,800             | 60                   | \$37,439               |
| \$15,000  | 10                | \$150,000              | \$177,736           | \$533,209          | \$12,750                        | \$83,250                        | \$147,750                        | \$150,000                        | \$7,406             | 72                   | \$35,547               |
| \$15,000  | 10                | \$150,000              | \$241,127           | \$482,256          | \$13,547                        | \$67,627                        | \$118,240                        | \$156,497                        | \$10,047            | 48                   | \$48,225               |
| \$15,000  | 10                | \$150,000              | \$235,148           | \$587,870          | \$13,211                        | \$65,950                        | \$115,308                        | \$152,616                        | \$9,798             | 60                   | \$47,029               |
| \$15,000  | 10                | \$150,000              | \$227,600           | \$682,801          | \$12,787                        | \$63,833                        | \$111,607                        | \$147,717                        | \$9,483             | 72                   | \$45,520               |

\* Every LTC dollar used reduces the Death Benefit one dollar down to the minimum residual death benefit shown in the last column.

Cents have been omitted.

Blue cells are plan designs showing later vesting, and white cells show designs with earlier vesting.