

# OneAmerica Hybrid Annuities

Offering the fastest-growing population the care it needs at a time when they realize it's needed.



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## Introduction

Those in America's fastest-growing population are no longer entering retirement — they're coming into their twilight years.

As this generation continues to age, entering uncharted waters, a staggering gap in coverage — long-term care — is coming to light.

Unfortunately, many of these Americans are ill-suited for the expenses ahead. Even worse, by the time they realize purchasing coverage would have been a smart idea, it could be too late.

The good news is that, thanks to the OneAmerica Annuity Care Suite, a powerful product to protect your clients could still be available. Even more encouraging, as you'll see, this solution doesn't have to jeopardize taxes or any income planning that may be in place.

## Protecting an Emerging Population ... Again

Not long ago, the financial services sector viewed the baby boomer generation entering retirement as one of the greatest opportunities for insurance agents and financial professionals.

This move from employee to retiree marked the largest workforce transfer the nation has ever seen. Many producers enjoyed the plethora of business, securing various retirement plans for their clients along the way.

Today, it's a different story. According to the U.S. Census, the fastest-growing population is no longer approaching retirement but well beyond their retirement years, people 85 to 100 years old.

Aside from the risk of exhausting their current retirement funds to maintain a standard of living as medical advancements and health care improve, this exploding population is now in new territory, realizing having a long-term care policy might have been a smart idea.

Unfortunately, many are simply unable to qualify anymore.

With 20+ years of industry experience, Rachel Smith, director of sales at First Protective, a brokerage general agency headquartered in Birmingham, Alabama, agrees.

“By the time most people are 70, they are taking some form of medication,” Smith observes. “They’re likely on a medication or have had a sickness or a surgery. If someone does say they have no medical issues at age 70, it’s likely because they just haven’t been to a doctor in a while,” she adds.

According to the National Institutes of Health, she’s not far off, as studies show that by the time the average American reaches their 70s, 85% already have at least one chronic health condition, and 60% have two or more conditions that may prevent them from qualifying for traditional long-term care insurance.

These individuals may, however, qualify for a product in the OneAmerica Annuity Care Suite, offering a different path to similar protection.

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## OneAmerica Hybrid Long-Term Care Annuity Suite Could Save Your Clients

“Our tagline with the OneAmerica Annuity Care Suite of products is that if you need long-term care and you cannot get this product, then your search for long-term care is over,” Smith admits.

“The fact is, if someone gets to 70 years old, there are not a lot of options out there for them for long-term care — and even fewer affordable ones. But most people can still qualify for an annuity. And what’s great is in addition to tax-free benefits, cash accumulation and death benefits, clients opting in to one of the products in the OneAmerica Annuity Care Suite can also access comprehensive long-term care benefits,” she adds.

### Inside the OneAmerica Annuity Care Suite, clients can enjoy:

- » The benefits of an annuity’s easier underwriting.
- » Issue ages up to 85.
- » No changes to provisional income, Social Security, taxes or legacy planning.
- » Death benefits in the event funds remain in the policy.
- » Guaranteed lifetime monthly payouts.
- » Partial or full rollover of existing nonqualified annuities.
- » Qualification to allow funds to be used for at-home care.
- » Highly personalized claims concierge service to ensure the same person oversees a case and helps guide a family from start of claims to the final payout.

A big reason why the OneAmerica Annuity Care Suite is such a wise option for aging clients is because of how this product suite qualifies for a unique tax benefit — especially for those with nonqualified annuities.

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## The OneAmerica Annuity Care Suite + the 2006 Pension Protection Act = Tax-Free Access for Your Clients When They Need It Most

“I really wish more financial professionals knew about the benefits secured through the Pension Protection Act,” says Tim Vannoy, a OneAmerica regional sales director. “What this law did was really create an amazing opportunity for holders of nonqualified annuities to access all of the money accumulated tax-free if needed,” he adds.

The Pension Protection Act of 2006, also known as Public Law 109-280, might cover a wide range of reforms, most dealing with pension governance, but the area where it shines for those in the insurance and financial industry can be found in Section 844, where specific benefits of annuities, long-term care and certain tax advantages are spelled out.

In this section, it details how certain annuity plans can be used for tax-free withdrawals that don’t interrupt a recipient’s provisional income status as long as the income is used for long-term care coverage.

In other words, certain qualified vehicles exist that allow owners of nonqualified annuities to access their funds without complicating their taxes or any of the planning they already have in place.

The challenge is finding the products that meet these strict requirements.

“If we’re being honest here, OneAmerica is one of the only companies out there that has true long-term care hybrid annuities on the market that qualify under the Pension Protection Act for tax-free withdrawals and don’t require being admitted to a nursing home to start accessing the care. So, with a OneAmerica policy, if a client is sitting on nonqualified money, he or she can now get that money out tax free,” says Smith.

Accessing clients’ money tax free when they need it most is a critical benefit of the OneAmerica Annuity Care Suite and a major selling point with clients who may already have an annuity-funded plan in place.

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## The Problem With Using Annuities to Pay for a Long-Term Care Event

The good news for many retirees is that more annuities are sitting on the sidelines collecting dust for a rainy day or a life-altering event than are being used as a stream of income.

“In 2013, Gallup looked into purchasers of nonqualified annuities. They found that 86% of people bought them for the tax-deferred growth,” says Vannoy.

“Knowing the income streams of many annuities are never turned on and realized, Gallup also asked what the plans were for the annuity if it was not purchased for income, and 73% of the respondents marked that they do not need the money for income. It is an emergency fund for a life-altering event.”

It’s smart planning on one hand, but it comes with some downsides.

For starters, accessing these funds comes at the cost of either paying taxes on gains, which could interfere with clients’ current Social Security and other retirement vehicles and their estate plans.

For example, accessing some of these funds could disrupt a client’s provisional income, which essentially adds up various income sources to determine the Social Security benefits and taxes a person faces.

In the event a life or retirement product was sold that included a long-term care rider or multiplier (as mentioned earlier), it also means that accessing the funds with enough income to pay for added care comes with the stipulation (also mentioned earlier) that the client needs to be in a facility and admitted for a minimum amount of time.

Fortunately, as Vannoy and Smith are showing their producers, the OneAmerica Annuity Care Suite has no such requirement. In fact, clients could start collecting monthly payouts to afford at-home care, which is where 80% of long-term care starts in the first place.

In other words, this unique annuity suite is offering clients the care they need, making it affordable and giving it to them without encroaching on their legacy plans, incurring tax penalties or offering inflexible options.

Accessing clients' money tax free when they need it most is a critical benefit of the OneAmerica Annuity Care Suite and a major selling point with clients who may already have an annuity-funded plan in place.



## Having the Conversation With Clients Is Easy

The conversation doesn't need to be complicated. To kick off the planning process, financial professionals start with a few important but simple questions.

According to Vannoy, "Once financial professionals are armed with knowing how these products work and the benefits that they provide, thanks to the Pension Protection Act, conversations with clients are as easy as sitting down with someone over 70 [who] owns unused, nonqualified annuities and asking them, 'What would cause you to spend this money? What life-altering event would need to happen for you to access these funds?'"

Following this simple line of questioning, Vannoy says that many financial professionals simply need to observe their clients' responses, which often lead into their admitting the funds are for a life-altering event when they will need assistance. From there, Vannoy's advice is to simply bring up the benefits of the OneAmerica product suite.

Smith's strategy, while similar, involves also painting the picture to include the impact that such an event would have on family members. She also stresses how events like these can destroy families as members stretch themselves too thin taking the burden upon themselves rather than using the available funds to start at-home care. "Writing policies like these, with the aging population, is easier now than it ever was. While it's not the right annuity for everyone, because it is a hybrid long-term care annuity, it is by far the easiest long-term-care-style coverage to talk about with clients that I've ever encountered," says Smith. "That's because almost everyone we are talking to, somebody in their family or somebody they know is dealing with a long-term care event right now or will be very soon. So, the conversation hits very close to home."

When it comes to talking about how a life-altering event and decisions that come afterward can affect a family, Smith suggests also bringing up the industry-leading claims concierge service offered through OneAmerica.

"The claims concierge service is absolutely wonderful. Each case is assigned a single case manager to help guide a family through these difficult times. They're there to help make the logistical and financial decisions easier. And families like it because they can talk to the same person, from start of care until a case is closed," Smith confirms. "The OneAmerica Annuity Care Suite really is an amazing opportunity for both families and financial professionals."

You can find a detailed carrier breakdown of the Annuity Care Suite products on the pages that follow. After reading through them, be sure to contact OneAmerica for more information regarding how you can start adding this powerful financial tool to your toolkit.

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# Annuity Care

## *New Life for Old Assets*

There are trillions of dollars currently in annuities. Some were purchased as a resource to avoid being a financial burden on children. Others as an emergency fund in case of catastrophic illness or nursing home care.

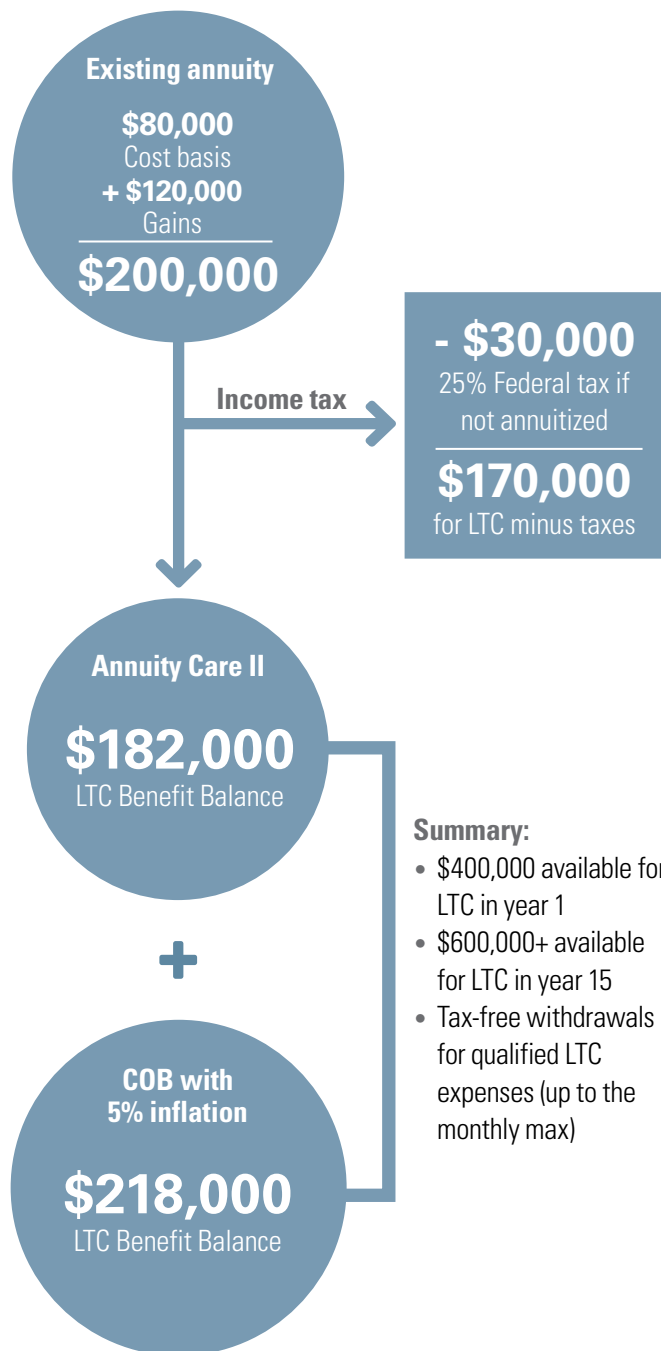
Many of these annuity assets are just sitting, waiting to be used. If they're never used, any gains are taxable to heirs at death.

Help give new life to these stagnant annuities with annuity-based solutions from OneAmerica®:

- All options are PPA-eligible, making gains tax-free if used for qualifying LTC expenses
- All premiums are fully guaranteed
- Joint coverage can protect two lives under one policy
- The Eligible Person provision can add a spouse to an individually owned annuity upon conversion

All of our annuity-based solutions qualify for expedited underwriting: only a few health questions and a telephone interview!

Annuity Care II can be written up to age 80; Annuity Care and Indexed Annuity Care up to age 85.



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**Note:** Products issued and underwritten by The State Life Insurance Company®, (State Life), Indianapolis, IN, a OneAmerica company that offers the Care Solutions product suite. Annuity Care Form Series Numbers: SA34, R508; SA35, ICC15 SA35, ICC15 R521 PPA ND, ICC15 R521 PPA, ICC15 R522 PPA. Not available in all states or may vary by state. All numeric examples are hypothetical and were used for explanatory purposes only. Joint coverage is not available in PA.

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