

## Long-Term Care Rider

Available on Income Advantage<sup>SM</sup> IUL and Life Protection Advantage<sup>SM</sup> IUL policies

# Get More Out of Life

With a Long-Term Care Rider



## The Back-up Plan: A Chronic Illness Rider

You've convinced your client of the need for both life insurance and long-term care planning. You've provided him with the information on how a life insurance policy with a long-term care rider works and he is ready to buy a policy.

He signs the app but then something unexpected happens. Your client, who seemed in fair health, is approved for the life insurance coverage, but is ineligible for the long-term care rider.

*So, now what?*

What happens next helps differentiate Income Advantage<sup>SM</sup> IUL and Life Protection Advantage<sup>SM</sup> IUL from our competitors. We offer both a long-term care (LTC) rider and a chronic illness rider. If your client doesn't qualify for the Long-Term Care Rider, we still issue the policy with the Chronic Illness Rider - at no additional cost and with no additional underwriting.

With the Chronic Illness Rider, if your clients are chronically ill (can't perform two of six activities of daily living) or have severe cognitive impairment, they can accelerate a portion of the death benefit early. This can provide funds for your clients to pay for long-term care expenses - or for whatever else they choose. By having these funds, clients can avoid spending down personal assets to pay for their long-term care services.

## Chronic Illness Rider - What You Should Know:

- Benefits are available as a lump-sum payout, up to the IRS per diem limit
- Accelerated benefits can be taken once every 12 months
- No upfront cost - an actuarial discount and flat \$100 fee are charged only if your client uses the benefit
- Maximum cumulative chronic illness benefit is up to 80 percent of the policy face amount at the time of the first acceleration request (with a maximum of \$1 million)

## What is the Actuarial Discount?

When insurance companies price the cost of life insurance, they plan on the beneficiary receiving the full death benefit upon the insured's death. Since the insured is taking a portion of his or her death benefit early, the client is getting an advance payment. The actuarial discount is based on the insured's life expectancy and the Moody's Corporate Bond Yield average, and it's our way of taking into account the time value of money between the advance payment date and the insured's actual life expectancy (when the insured is expected to die). The shorter your client's remaining life expectancy, the less his or her actuarial discount will be.



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## Case Study

Jeffrey purchased a \$1 million Income Advantage policy at age 50. Although he didn't qualify for the Long-Term Care Rider, his policy automatically included the Chronic Illness Rider. Some years later, he is diagnosed with a chronic illness and is unable to perform two of six ADLs. His doctor estimates he has two years to live. Jeffrey has a maximum total acceleration limit of \$800,000, and has requested a \$100,000 acceleration benefit.

In Jeffrey's case, with a two-year life expectancy, his actuarial discount is 9 percent. This means, since he requested a \$100,000 acceleration, he will receive \$90,900. He can use this benefit to: pay medical bills, stop working and spend time with family, take a dream vacation with his loved ones, or even to pre-plan and pre-pay his funeral.

### Calculating Jeffrey's Benefit

Requested acceleration	\$100,000
Minus the 9% actuarial discount (4.5% discount rate X 2-year current life expectancy)	\$9,000
Minus the flat charge	\$100
<b>Acceleration amount</b>	<b>\$90,900</b>

After taking his accelerated benefit, Jeffrey still has \$900,000 in remaining death benefit and \$700,000 in remaining accelerated death benefit option.

It always feels good to have a back-up plan. When your clients don't qualify for the LTC Rider, you still can help them address these potential expenses with the Chronic Illness Rider.

[Learn more at MutualofOmaha.com/ltc-rider.](https://www.mutualofomaha.com/ltc-rider)