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3RD ANNUAL

Financial Advisor RETIREMENT SYMPOSIUM

Longevity and LTC Insurance

MODERATOR

Michael Zmistowski
President
Financial Planning Advisors, LLC

PANELISTS

Elaine Marvin, CFP
Regional Vice President
One America

Bennett Kleinberg, FSA, MAAA
Vice President & Sr. Actuary
MetLife

The need is real

According to the US Dept. of Health and Human Services website:

- About 70% of individuals over age 65 will require at least some type of long-term care services during their lifetime
- Over 40% will need care in a nursing home for some period of time
- Women need care for longer (on avg. 3.7 years) than do men (on avg. 2.2 years)

US Dept of Health and Human Services, Oct. 22, 2008.

Fewer government resources

Medicare

- From 2010 to 2030, the number of people on Medicare is projected to rise from 46 million to 78 million

- Meanwhile, the number of workers to support these beneficiaries is projected to decline from 3.7 workers to 2.4 workers per beneficiary

The Henry J. Kaiser Family Foundation: Medicare Fact Sheet, Sept. 2008

Legislative Impact on LTC

Deficit Reduction Act of 2005

- Major effects on Medicaid

Pension Protection Act of 2006

- First legislation in a decade giving consumers a tax advantage for private LTC planning

More LTC options than ever

Life Insurance-Based Long-Term Care funding options

Annuities as a Long-Term Care funding options

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Longevity Risk and Insurance

- Longevity risk creates a serious challenge in retirement income planning
  - Risk of outliving assets is real
- How long do you plan for?
  - Uncertainty in the planning horizon means uncertainty in the solution
- Longevity Insurance may reduce uncertainty in the planning time horizon
  - Provides income at a predetermined time (example age 85)
  - Help manage other assets more efficiently and effectively
  - May be appropriate for a portion of clients' assets (<25%), as part of an overall retirement income solution

The Value of Longevity Insurance in Financial Planning

- Deferred Income Annuity
  - Purchase stream of income beginning at future point in time
  - Amount determined at time of issue
- Concept
  - Allocate a portion of the portfolio to longevity insurance to help protect against the risk that the systematic withdrawal program could run out of money
- Benefits
  - Provides longevity protection
  - Reduces risk of running out of money
  - May allow a higher level of withdrawals from SWP
  - Reduces uncertainty in the planning time horizon

Longevity Insurance Example

$500,000 Male 65

Generates $20,000/year via

4% SWP

Systematic Withdrawal $400,000 @ 5.00% Withdrawal Rate *($20,000)*

Longevity Insurance

Premium of $100,000 hypothetically purchases $23,000 / year of income beginning at 85

Can you Invest against Longevity Risk?

- Longevity Insurance: (Male 65); $50k Premium;
  - Income at Age 85 = $17,900
- Investment Example
  - Hypothetical Conservative Investment with 3.0% Return
  - $50k Invested, SWP at age 85 of $17,900
  - Income Lasts 5.5 Years, to age 90
  - For income to last to age 100, would need $124,491 vs $50,000
  - Age 100: Net return of 6.47%
  - Age 95: Net return of 5.47%

Future income payments are based on the annuity purchase rates available on the day a client makes a purchase payment into a longevity insurance product. This example is not based on any particular product and is not representative of any actual investment. The above income payment for this example were based on a purely hypothetical lump sum purchase payment and annuity purchase rate and are not to be construed as guarantees or estimates of amounts to be paid in the future. Example does not take into account the effect of taxes.

Longevity Insurance

- **Longevity insurance products, like all annuities, are not insured by the FDIC, the NCUSIF or any other government agency, nor is it guaranteed by, or the obligation of, the financial institution that sells them. All guarantees depend solely on the issuing insurance company' s claims-paying ability and financial strength. Annuities have limitations, exclusions, termination provisions and terms for keeping them in force.**

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