

Tax-advantaged dollars for long-term care

Sole proprietor, S corporation and partnership

Our SecureCare product line uses a premium structure that separates out the long-term care (LTC) portion of the premium instead of treating it as a charge. We believe this allows the LTC portion of the SecureCare premium to be considered as a medical expense and thus affords a favorable tax treatment for some of your clients - especially your business-owner clients and their employees. You can help these prospects create an LTC strategy that allows them to provide key employees with LTC coverage and use business dollars to fund their own LTC needs in a more tax-efficient manner.



The case study on the following pages uses SecureCare IV, an LTC and nonparticipating whole life insurance policy, but the same strategy can be applied to our entire SecureCare product line.

Contact us today

to customize a proposal that helps address a prospect's top LTC concerns:

1-888-900-1962

(Independent Distribution)

1-877-696-6654

(Securian Financial and
Broker-Dealer)

How it works¹

Step 1: Create a valid class² of employees

Sam, the owner and president of an S corporation, creates a valid class of employees who will receive LTC coverage. The class consists of Sam, the company's other top executives and their spouses. The company pays the SecureCare premiums, but each member of the valid class owns their individual policy.



**Sam,
age 55**

\$100,000 SecureCare IV policy
\$10,000 annual premium
for 10 years

- Couples discount
- 6-year benefit duration
- 3% compound inflation
- LTC Boost ROP option³
- Premium waiver

Sam	Minimum death benefit⁴	Monthly LTC benefit	Total LTC benefits available
Day 1	\$146,204	\$6,092	\$472,854
Age 85	\$146,204	\$14,786	\$1,147,740

Step 2: Portion of premium for LTC

There are two parts to a SecureCare premium: the portion that goes towards the life insurance (the face amount and the premium waiver agreement, if applicable) and the portion that goes towards the three tax-qualified LTC agreements.

Annual premium	\$10,000	Tax implication
Face amount (base life insurance + premium waiver, if applicable)	\$5,357	Non-deductible (life portion)
Total premium combined from three LTC agreements	\$4,643	Deductible (LTC portion)

1. This is a hypothetical example for illustrative purposes only.

2. Please note: It's important to work with your client's tax and legal professional to create a valid class of employees and a document outlining the agreement and terms of the plan providing the benefit.

3. The death proceeds, return of premium amount and long-term care benefit amount depend, in part, on the return of premium option selected on the policy application. This option cannot be changed after the policy is issued. For more information regarding return of premium options, please review the policy contract.

4. Minimum amount paid income tax free to Sam's beneficiaries if he dies before he needs LTC. The amount paid will be reduced by any terminal illness benefit payments, premium due and any indebtedness.

Step 3: Age-based limitations and deduction amount

Both the life and the LTC portions of the premium would be included in Sam's income,⁵ but as an owner and current employee of his S corporation, Sam can deduct a portion of his LTC premium. Sam's deduction amount is determined by his age-based limitation.

This is an above-the-line deduction, which means Sam does NOT need to itemize his taxes to take the deduction.

Attained age before the close of the taxable year	2025 limit	2026 limit
40 or less	\$480	\$500
41-50	\$900	\$930
51-60	\$1,800	\$1,860
61-70	\$4,810	\$4,960
71+	\$6,020	\$6,200

Source: IRC Section 213(d)(1)(D)

Sam may deduct whichever is less: the total premium combined from the three LTC agreements or his age-based limitation. So the first year Sam has his policy, he can deduct \$1,860 by including it as a self-employed health insurance deduction on line 17 of Schedule 1 of the IRS Form 1040. The life portion of the premium is not deductible.

S corp owners who are not currently employed by their company do not qualify for this deduction, which means if Sam was not an employee of his company, he would not be able to deduct any portion of his premium.

Sam's age	Deduction amount ⁶	Number of years	Total deductible amount
55-60 years old	\$1,860	6	\$11,160
61-64 years old	\$4,643	4	\$18,572

The power of cumulative deductions

Total premium over 10 years	Total premium included in Sam's income	Total premium deducted from Sam's income
\$100,000	\$70,268	\$29,732

Sam would be able to deduct roughly 29 percent of the premium paid on his behalf from his income.



Key employee coverage

Employees who are not owners are not subject to age-based limitations. They can exclude the total LTC portion of the premium from their income (so only the life portion of the premium would need to be included⁷). The company can deduct the employee's full premium.

For more details on this strategy, please see our [key employee coverage sales idea](#).

5. If Sam paid for the life portion of his premium using personal funds, he would not have to include it in his income. The LTC portion would still be deductible. Using personal funds to pay for the life portion of the premium may be a good strategy for an owner/employee who is especially concerned about incurring any additional tax.

6. The IRS annually adjusts age-based limitations so an insured's deduction amount may slightly change each year. However, the insured's deduction amount must always be whichever is less: the age-based limit or the LTC portion of their policy.

7. An employee may have taxable income if they choose to exercise the policy's return of premium option because they do not have any basis in the LTC portion of the policy.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and the policies may contain restrictions, such as surrender periods.

Insurance policy guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

SecureCare refers to a line of hybrid life/long-term care insurance products issued by Minnesota Life Insurance Company, including SecureCare Universal Life, SecureCare III, a non-participating whole life policy with long-term care, and SecureCare IV, a non-participating whole life policy with long-term care. SecureCare (including SecureCare Universal Life, SecureCare III, and/or SecureCare IV) may not be available in all states. Product features, including limitations and exclusions, may vary by state. SecureCare products contain qualified long-term care agreement(s) that cover care such as nursing care, home and community-based care, and informal care as defined in those agreements. These agreements provide for the payment of a monthly benefit for qualified long-term care services. These agreements are intended to provide federally tax qualified long-term care insurance benefits under Section 7702B of the Internal Revenue Code, as amended. However, due to uncertainty in the tax law, benefits paid under these agreements may be taxable. Additionally, SecureCare products may contain other additional agreements, which may be subject to additional costs and restrictions, and may not be available in all states or exist under a different name in various states.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under these policies. Clients should consult a tax advisor regarding long-term care benefit payments, terminal illness benefit payments, or when taking a loan or withdrawal from a life insurance contract.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer.

It is not intended for, nor can it be used by any taxpayer for, the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

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