

LTC PORTFOLIO PROTECTION FOR AFFLUENT CLIENTS

The 2% conversation

Many affluent clients plan to self-fund their long-term care (LTC) needs. The key to unlocking productive conversations with these clients is understanding that the real question isn't about whether they can afford to pay for care (they usually can), it's about whether self-funding is the most efficient use of their capital.

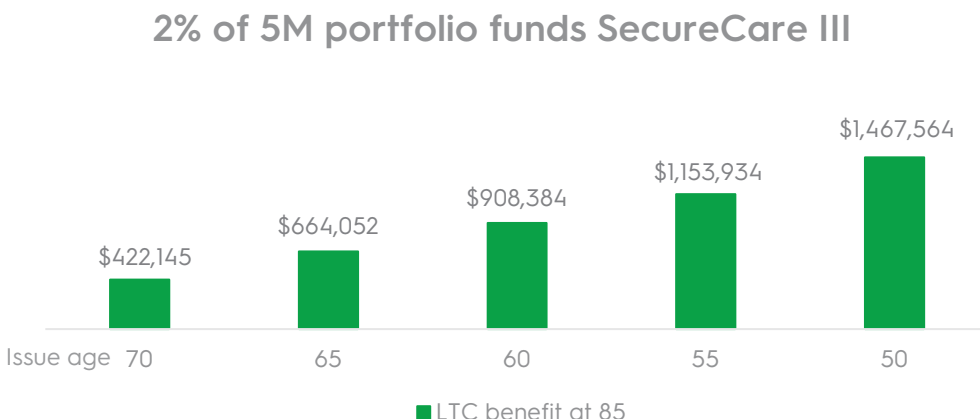
Paying out of pocket can mean:

1. Liquidating assets at inopportune times, potentially during market downturns.
2. Triggering unnecessary taxable events and/or increasing taxable income.
3. Redirecting dollars that could have been preserved for their legacy.

By reallocating a small portion – even as little as 1 or 2 percent – of their portfolio into a linked-benefit product, you can help clients create a **dedicated, tax-free¹, and flexible pool of LTC dollars**. This allows them to protect the efficiency of their overall portfolio while still maintaining control of their assets.

The 2% allocation concept

Consider a female client with a \$5 million portfolio. By reallocating just 2% (\$100,000) of her portfolio to SecureCare III (LTC and nonparticipating whole life insurance), she could gain access to powerful leverage depending on her issue age:



Let's run the numbers

Contact our SecureCare sales team for customized support:

Hypothetical example for illustrative purposes only. Examples run using female, non-tobacco couples discount, 3% compound inflation option, LTC Boost, and 6-year benefit.

Issue age	Single premium	LTC benefit at age 85	Internal rate of return	Tax equivalent yield
70	\$100,000	\$422,145	8.37%	12.88%
65	\$100,000	\$664,052	8.62%	13.26%
60	\$100,000	\$908,384	8.22%	12.65%
55	\$100,000	\$1,153,934	7.71%	11.86%
50	\$100,000	\$1,467,564	7.34%	11.29%

Hypothetical example for illustrative purposes only. Examples run using female, non-tobacco couples discount, 3% compound inflation option, LTC Boost, and 6-year benefit. Tax equivalent yield calculated assuming 35% tax bracket.

The tax equivalent yield

is the rate at which a taxable option would need to grow in order to realize the same return as a tax-free option.

As illustrated in the chart above, the leverage a SecureCare III policy can provide is substantial. If she purchased the policy at age 60, every \$1 of premium would yield \$9.08 of LTC benefit. If she wanted a taxable investment to replace the LTC benefit SecureCare III provides, it would need to realize an annual rate of return of 12.65%. Ultimately, by repositioning just 2% of her portfolio into SecureCare III, she can create a guaranteed and tax-free¹ stream of income to meet her LTC needs. This helps protect the other 98% of her portfolio from an LTC event, freeing it up to work toward growth, income and legacy priorities.

Why SecureCare III works in this strategy

Cash indemnity benefit for LTC

There's no fine print or restrictions about how the benefit can be used. Clients can spend or save their benefit however they want.

Tax-free¹ LTC benefits

While paying for care out-of-pocket can mean triggering the capital gains tax or increasing the client's overall taxable income, LTC benefits from SecureCare III are tax free¹.

Guaranteed benefits, no matter what

When clients plan to self-fund, they run the risk of having to liquidate assets during down years, creating the classic "sequence of returns" risk that can compound losses. With SecureCare III, clients' benefits are guaranteed, whether they need care or not.

With just 2% of portfolio assets, you can help clients create a tax-free¹ income stream for LTC, optimize the efficiency of their financial plan, and protect their portfolio.

1. Benefits under a qualified long-term care insurance contract are generally excluded from federally taxable income, provided they do not exceed a per diem limit established by the federal tax code. If the benefits received exceed this per diem limit, the excess may still qualify for exclusion from income under the federal tax code if the recipient can document qualified long-term care expenses that are equal to or greater than the benefit amount. Clients should consult with a qualified tax advisor to understand how these rules apply to their individual circumstances and to ensure proper tax reporting.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit. Guarantees are based on the claims paying ability of the issuing company.

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, and Surrender Charge (which we refer to as expense charges). This policy may contain restrictions, such as surrender periods.

SecureCare III may not be available in all states. Product features, including limitations and exclusions, may vary by state.

SecureCare III includes the Acceleration for Long-Term Care Agreement and Extension of Long-Term Care Agreement. These two agreements are tax-qualified long-term care agreements that cover care such as nursing care, home and community-based care, and informal care as defined in the agreement. 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. Please ensure that your clients consult a tax advisor regarding long-term care benefit payments, or when taking a loan or withdrawal from a life insurance contract.

The optional Long-Term Care Inflation Protection Agreement is available with 3% simple interest, 3% compound interest, 5% simple interest or 5% compound interest.

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 III may not cover all of the costs associated with long-term care or terminal illness that the insured incurs. This product is generally not subject to health insurance requirements. This product is not a state-approved Partnership for Long Term Care Program product and is not a Medicare Supplement policy. Receipt of a long-term care or terminal illness benefit payment under this product may adversely affect eligibility for Medicaid or other government benefits or entitlements.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under these policies. Death proceeds will be reduced by outstanding loans and unpaid monthly deductions. 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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