

Help Small-business Owners Retain Key Employees

Prospect Profile

- John, age 60, and Maureen, age 57

Situation

- John and Maureen have been married for 37 years; John owns a software consulting firm (a C-Corporation) that is growing rapidly
- The company's two key employees, Bob, age 54, and Scott, age 48, have worked with John for years, even before the company was formed; currently, there are 10 other employees
- John knows that employees in technology industries have a tendency to change jobs; Bob and Scott are vital to the growth of his company and he is looking for ways to entice them to remain with the firm

Solution

- Providing long-term care policies for his key employees is one way John can make them feel valued, create loyalty and ensure they remain with him
- John could purchase long-term care policies for Bob and Scott with premium paid by the business; under current tax law, the premium for these policies would be deductible by the business, similar to traditional health and accident insurance; in addition, premium is not taxable as income to Bob and Scott; eventual benefits paid by the policies also are not taxable
- John also could purchase policies for himself and his wife (even though she is not an employee) with premium paid by the business; again, the premium would be deductible by the business and not taxable as income to John or Maureen.
- John would qualify for Mutual's 10-percent discount on employer-sponsored plans; in addition, he could take advantage of list billing, which Mutual makes available with three or more submitted applications

Presenting LTCi as a Strategy to Retain Key Employees Gives You a Competitive Advantage!

- It allows you to meet the needs of all types of clients, including those of small-business owners
- It allows you to demonstrate the value you can bring to your small-business owner clients
- It can open the door to meeting your clients' other business insurance needs, and that can lead to collateral sales

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The Tax Impact of Employer-Paid LTCi Premium

Long-term care insurance is one of the fastest growing benefits provided by employers. Here are just a few advantages business owners enjoy when sponsoring a long-term care plan for their key employees:

- Gives the business owner added peace of mind
- Helps protect assets
- Creates employee loyalty
- Provides maximum control over business dollars
- Allows the business owner to take advantage of federal tax incentives
- Protects the future of the business

C-Corporations	Premium is 100% tax deductible as a business expense for: <ul style="list-style-type: none"> • Owner/employee • Designated class of employees (key employees) • Spouse/partner and dependents 										
	Premium is excluded from employees' gross income										
	Policy benefits are tax free as long as they do not exceed the greater of qualified LTC daily expenses or the per diem limitation (\$240 in 2005)										
Self-Employed Business Owners <ul style="list-style-type: none"> • Sole Proprietor • Partnership • LLC • S-Corporation 	Premium is deductible as a business expense (subject to eligible premium limits*) for: <ul style="list-style-type: none"> • Owner • Spouse/partner and dependents *Eligible premium for 2005: <table border="0"> <tr> <td><40</td> <td>\$270</td> </tr> <tr> <td>41-50</td> <td>\$510</td> </tr> <tr> <td>51-60</td> <td>\$1,020</td> </tr> <tr> <td>61-70</td> <td>\$2,720</td> </tr> <tr> <td>70+</td> <td>\$3,400</td> </tr> </table>	<40	\$270	41-50	\$510	51-60	\$1,020	61-70	\$2,720	70+	\$3,400
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Information based on Section 7702B and Section 106 of the Internal Revenue Code (IRC).
 Must be a qualified long-term care contract to be eligible for tax deductions.
 Consult a tax advisor for details.