



# John and Katie Winters

**360 WEALTH MANAGEMENT -LONG TERM CARE**  
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Sample

# Disclaimer

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The following report is a diagnostic tool intended to review your current financial situation and suggest potential planning ideas and concepts that may be of benefit. The purpose of the report is to illustrate how accepted financial and estate planning principles may improve your current situation.

This report is based upon information and assumptions provided by you (the client). This report provides broad and general guidelines on the advantages of certain financial planning concepts and does not constitute a recommendation of any particular technique. The consolidated report is provided for informational purposes as a courtesy to you. We recommend that you review your plan annually, unless changes in your personal or financial circumstances require more frequent review. All reports should be reviewed in conjunction with your fact summary and this Disclaimer page.

The term "plan" or "planning," when used within this report, does not imply that a recommendation has been made to implement one or more financial plans or make a particular investment. Nor does the plan or report provide legal, accounting, financial, tax or other advice. Rather, the report and the illustrations therein provide a summary of certain potential financial strategies. The reports provide projections based on various assumptions and are therefore hypothetical in nature and not guarantees of investment returns. You should consult your tax and/or legal advisors before implementing any transactions and/or strategies concerning your finances.

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It is important to compare the information on this report with the statements you receive from the custodian(s) for your account(s). Please note that there may be minor variations due to calculation methodologies. If you have any questions, please contact your financial representative. Also, your account(s) may not be covered by FDIC or SIPC. FDIC and SIPC coverages apply only to certain assets and may be subject to limitations. Questions about coverage that may apply should be directed to the asset provider or sponsor.

The information contained in this report is not written or intended as financial, tax or legal advice. The information provided herein may not be relied on for purposes of avoiding any federal tax penalties. You are encouraged to seek financial, tax and legal advice from your professional advisors.

Tools such as the Monte Carlo simulation will yield different results depending on the variables inputted, and the assumptions underlying the calculation. For those reports that perform a Monte Carlo analysis, the term 'Monte Carlo' will be included in the report title. The assumptions with respect to the simulation include the assumed rates of return and standard deviations of the portfolio model associated with each asset. The assumed rates of return are based on the historical rates of returns and standard deviations, for certain periods of time, for the benchmark indexes comprising the asset classes in the model portfolio. Since the market data used to generate these rates of return change over time your results will vary with each use over time.

Monte Carlo Analysis is a mathematical process used to implement complex statistical methods that chart the probability of certain financial outcomes at certain times in the future. This charting is accomplished by generating hundreds of possible economic scenarios that could affect the performance of your investments.

The Monte Carlo simulation uses at most 1000 scenarios to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some of these scenarios will assume very favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios will conform to the worst periods in investing history. Most scenarios will fall somewhere in between.

The outcomes presented using the Monte Carlo simulation represent only a few of the many possible outcomes. Since past performance and market conditions may not be repeated in the future, your investment goals may not be fulfilled by following advice that is based on the projections.

I/We have received and read this Disclaimer page and understand its contents and, therefore, the limitations of the report. Furthermore, I understand that none of the calculations and presentations of investment returns are guaranteed.

Client(s): \_\_\_\_\_

John Winters

\_\_\_\_\_ Date

\_\_\_\_\_ Katie Winters

\_\_\_\_\_ Date

Advisor: \_\_\_\_\_

William Wilkinson, CFP ChFC, CLU, CASL, AIF

\_\_\_\_\_ Date



## Basics of Long Term Care

*Prepared for John and Katie Winters*

Because a health event can have a serious impact on a family's finances, a comprehensive financial plan will often include a long term care assessment as part of its insurance analysis or risk management section. It is important to consider the financial risks of certain unforeseen events such as disability or prolonged illness that could require some level of long term care.

Long term care is generally not covered by Medicare. As nursing home care has become more expensive, a family that needs nursing care, even if only for a few years, runs the risk of depleting hundreds of thousands of dollars. This direct cost is then compounded by the lost investment earnings that those assets could have earned had they stayed invested. The overall wealth effect on a family from a nursing home stay can be significant.

Proper insurance coverage is the foundation of a comprehensive financial plan. Understanding the amount and types of insurance you require should be the result of sound analysis and reasoned considerations. The following reports look specifically at long term care risks and will help you gain an understanding of your current long term care insurance coverage, if any, and how it may help protect your assets.

Items to consider when analyzing your long term care insurance coverage include:

### **Different Benefits Types**

Some policies offer different benefit amounts for different types of care such as skilled nursing home care or home health care. Make sure you understand specifically which types of care are covered by your policy.

### **Benefit Period and Amount**

Some policies provide benefits for a stated period. So even if you collect less than the maximum per period, benefits stop when the period is over. In comparison, some policies offer a pool of money approach so that if you collect less than the maximum benefit per period, the policy would extend beyond the original coverage period until you collected the maximum pool of money.

### **Benefit Sharing**

Some policies allow for a sharing of benefits between policies (or from one joint policy) between a couple. This can provide a very useful level of added flexibility.

### **Taxation of Benefits**

Policies can be classified as qualified or non-qualified. Qualified policies have fully or partially deductible premiums and tax-free benefits. Non-Qualified policies do not provide tax deductible premiums and the current taxation of benefits is unclear. These policies, however, might offer other better terms and conditions.

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# Long Term Care Cost and Payment Options

Prepared for John and Katie Winters

## What does Long Term Care cost?

The cost of long term care can vary greatly based on the exact services needed and the region where care is being provided. Some national averages, however, might be of interest. According to the Genworth Financial Cost of Care Survey 2011:

- The average annual national cost for a private room in a nursing home is almost \$78,000, and a semi-private room is in excess of \$70,000.
- A one bedroom unit in an assisted living facility has an average annual cost in excess of \$39,000 representing a 2.4% increase from previous year.
- The average daily rate for adult day health care was \$60.



## Will the government pay for my Long Term Care needs?

Generally, Medicare doesn't pay for long term care. Medicare pays only for medically necessary skilled nursing facilities or home health care, and even those services will be provided only if certain conditions are met and for a short period of time. Medicaid is a Federal program administered by the states that pays for certain health services and nursing home care for people with low incomes and limited assets. Medicaid payments are not available until one is indigent. This means that many families will have to rely on their own money and/or privately purchased insurance to pay long term care expenses.

## What is Long Term Care Insurance?

Long Term Care Insurance is coverage designed to pay for personal care needs and other long term care services for individuals who are limited in their activities of daily living (ADL), such as eating, bathing, dressing, transferring, grooming, and toileting, or who are cognitively impaired. These types of policies can pay benefits for long term care services provided in a nursing home, an assisted living facility, or even your own home.

## What does Long Term Care Insurance cover?

Many policies generally cover skilled, intermediate, and custodial care in state-licensed nursing homes as well as home care, assisted living, and adult day care services. All policies have conditions, limitations, and exclusions that differ from contract to contract. These policies may pay a fixed dollar amount for each day you receive long term care services or they may cover actual charges up to a maximum daily benefit.

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# Cost of Long Term Care

## Base Facts with LTC is Needed - Client

Prepared for John and Katie Winters

Serious health events can have a significant affect on a family's financial condition. Health events, such as the need for long term care, can put a financial burden on not only the affected person or spouse but quite often on the children too. What type of impact could a long term care event have upon your finances?

The long term care event for **John** is assumed to start in **2044** when **John** is age **86** and last through lifetime (**2048**). The assumed cost of long term care is **\$0 per year** in today's dollars and is assumed to grow at **3.73%** each year beginning .

The cost of long term care can vary greatly in different parts of the country and even in different regions in the same state. The level of need (nursing home care vs. home health care, for example) can also make a significant cost difference.

This long term care event results in **\$0** in health care expenses from **2044** through **2048**.

### SUMMARY

**LTC Cost (today's \$)**  
**\$0** (annually)

**Costs Grow at**  
**3.73%**

**LTC Cost in 2044**  
**\$0** (annual)

**Total Cost 2044 - 2048**  
**\$0**

## Cost of Long Term Care

The chart below illustrates the mounting costs of a long term care event and their percentage of total cost over the event duration. The cumulative cost for this scenario is **\$0**.

LTC Costs vs. Total Expenses

S a m p l e  
No Data Available



Living & Other Expenses (100.00%)

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# Long Term Care Wealth Effect

## Base Facts with LTC is Needed - Client

Prepared for John and Katie Winters

The true cost of long term care is not limited to the additional outlay to the long term care providers. There is also an opportunity cost which is the lost investment growth on that money. Whether paying for long term care from income or from existing investments, family wealth will be reduced which could prove difficult for the surviving spouse.

The defined long term care event for **John** results in a cumulative out-of-pocket cost of \$0 offset by existing insurance benefits of \$0 for a net cost of \$0. However, the effect on wealth can be far greater due to the lost investment potential of those assets. The chart below demonstrates the wealth reduction of the defined long term care event.

### SUMMARY

**Total Cost (2044-2048)**

\$0

**Insurance Benefits (2044-2048)**

\$0

**Net Cost (2044-2048)**

\$0

**Wealth Reduction**

\$0 (2048)

\$0 (2053)

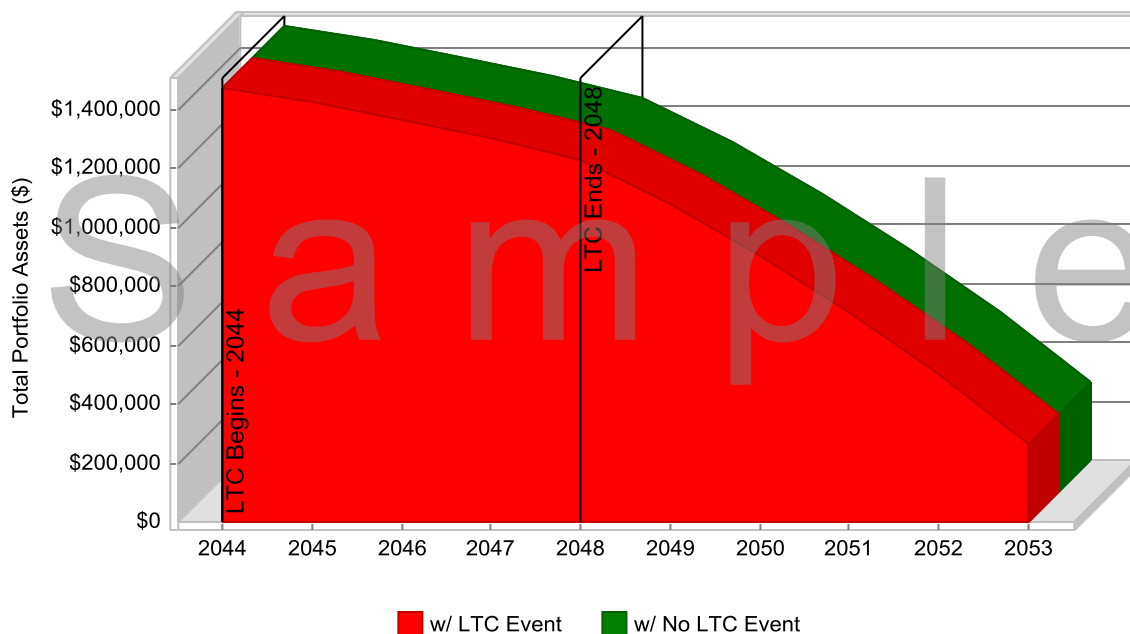
Year	Portfolio Assets without LTC Event	Portfolio Assets with LTC Event
Start of LTC Event (2044)	\$1,557,000	\$1,557,000
End of LTC Event (2048)	\$1,227,115	\$1,227,115
Last Death (2053)	\$267,699	\$267,699

The defined long term care event for **John** could result in the depletion of \$0, or 0.00%, of portfolio assets by 2053.

## Wealth Effect of Long Term Care

The chart below compares your total portfolio assets with and without the defined long term care event.

LTC Wealth Effect



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# Long Term Care Gap Analysis

## Base Facts with LTC is Needed - Client

Prepared for John and Katie Winters

This analysis reflects the cash flow gap created by a long term care event, as well as the potential insurance solution to cover all or part of that gap.

The long term care event for John is assumed to start in 2044 when John is age 86 and last through lifetime (2048). The assumed cost of long term care is \$0 per year in today's dollars and is assumed to grow at 3.73% each year starting .

Existing long term care insurance provides a current benefit of \$0.

Your cash flow and desired remaining asset goal can be achieved with no additional coverage.

### SUMMARY

**Long Term Care Period**  
Age 86 - 90 (2044-2048)

**Existing Benefits (2044)**  
\$0

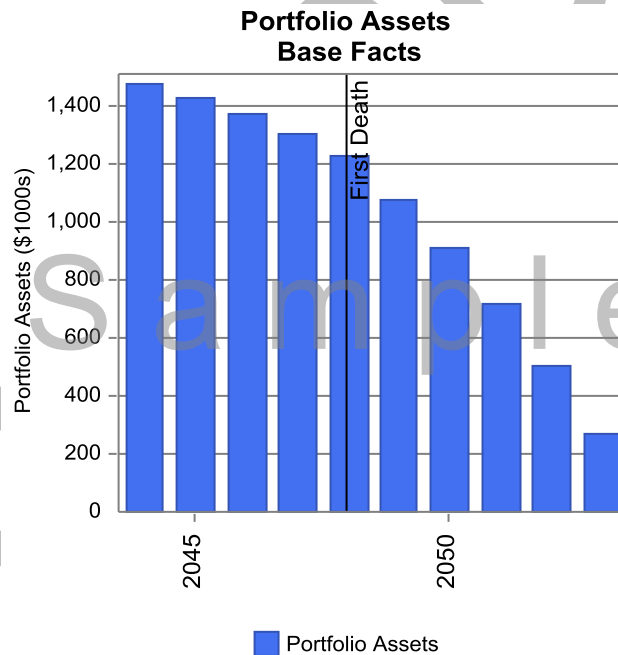
**Additional Coverage**  
\$0 (today's \$)

**Unfunded Years**  
0 (current)

**Remainder Assets (2053)**  
\$267,699 (current)

## Portfolio Assets

The chart below shows the amount of portfolio assets you can expect to have in the selected long term care scenario.



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# Long Term Care Gap Analysis

## Base Facts with LTC is Needed - Client

Prepared for John and Katie Winters

Year	Age	Income Flows	Investment Income	Planned Distributions	Total Inflows	Additional LTC Expenses	Total Outflows	Total Portfolio Assets
<b>2044</b>	<b>86/81</b>	<b>\$170,387</b>	<b>\$0</b>	<b>\$36,289</b>	<b>\$206,676</b>	<b>\$0</b>	<b>\$350,207</b>	<b>\$1,470,165</b>
2045	87/82	176,295	0	28,995	205,290	0	312,459	1,422,142
2046	88/83	182,424	0	24,330	206,754	0	324,768	1,366,323
2047	89/84	188,781	0	17,810	206,591	0	337,536	1,301,547
<b>2048</b>	<b>90/85</b>	<b>195,375</b>	<b>0</b>	<b>9,627</b>	<b>205,002</b>	<b>0</b>	<b>350,780</b>	<b>1,227,115</b>
2049	91/86	118,853	0	0	118,853	0	347,482	1,075,917
2050	92/87	122,839	0	0	122,839	0	360,653	905,993
2051	93/88	126,973	0	0	126,973	0	374,317	715,817
2052	94/89	131,261	0	0	131,261	0	388,546	503,700
2053	95/90	135,709	0	0	135,709	0	403,493	267,699

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# Cost-Benefit of Long Term Care Insurance

## Base Facts with LTC is Needed - Client

Prepared for John and Katie Winters

Long term care insurance is an effective tool in helping to protect your investments and assets from a potentially costly health event. To understand the value of a long term care insurance policy, compare the benefits to that of self-insuring.

To provide non-zero results in the tables below, the system requires that the user enter the proper parameters for this report within the LTC what-if.

To demonstrate the cost-benefit value of a long term care insurance policy for John, consider a hypothetical policy and health event using the assumptions in the box to the right. The tables below examine different number of years until need, with the assumed start of long term care highlighted.

Years Until Need	10 years	20 years	32 years	40 years
Age	64	74	86	94
Annual Benefit	\$0	\$0	\$0	\$0
Total Benefit	\$0	\$0	\$0	\$0

To provide the same total benefit as supplied by the long term care insurance policy in each of these time periods, the following annual amounts must be invested (at an assumed 5.00% rate of return):

Savings Needed	\$0	\$0	\$0	\$0
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If the same \$0 was saved rather than spent on long term care insurance, the following annual rates of return (ROR) would be required to provide the same total benefits as supplied by the long term care insurance policy:

Annual ROR Needed	0.0%	0.0%	0.0%	0.0%
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### ASSUMPTIONS

Annual Premium

\$0

Annual Benefit

\$0

COLA

3.00%

LTC Event Duration

5 Years

### SUMMARY – YEAR 2044

Annual Benefit

\$0

Total Benefit

\$0

Savings Needed

\$0

ROR Needed

0.0%

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# Long Term Care Summary

## Base Facts with LTC is Needed - Client

*Prepared for John and Katie Winters*

The following is a summary of the general details of the defined long term care event and any current long term care insurance policies, as these are the main items that impact a long term care analysis.

### Long Term Care Event Definitions

#### LTC Need Occurs to John Winters

Starts: When John is 86 (2044)

Additional Expenses: Annually

Ends: John's Death (age 90 in 2048)

Indexed at: Inflation (3.73%) beginning

Include Social Security Disability?: No

### Existing Long Term Care Insurance

No existing long term care policies are defined.

Sample

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