Insurance | Risk Management | Consulting

EXECUTIVE BENEFITS:

LONG-TERM CARE SOLUTIONS

The soon-to-be-enacted "Long Term Services and Trust Act" will impose a .58% annual income tax on Washington state's workforce in exchange for one year of future LTC benefits (non-portable and only available if still living in WA). The only way to "opt-out" and avoid paying this tax is to show proof of existing LTC coverage.

This is a risk facing executives in the state of Washington today.

While the Trust Act could be beneficial for low-to-middle income earners, it negatively impacts those highly compensated individuals who will pay a much larger, disproportionate amount for the same, minimal benefit.

- Benefit amounts will be adjusted annually at a rate no greater than the Washington consumer price index.
- The tax percentage will, more than likely, increase as current projections show the plan to be underfunded.
- From 10/1/21 – 12/31/21 employees can "opt-out" and apply for a permanent exemption from paying the tax if they can show proof of existing LTC coverage prior to the act's effective date—currently 7/24/21.

Available Solutions

ExecutiveCare®

- A company funded carve-out plan for a select group of key executives or highly compensated employees
- Comprehensive LTC coverage that maximizes tax leverage by utilizing pre-tax dollars
- 10-pay premium option allows for the coverage to be completely paid-up and portable after 10 years
- Customized individual policies that allow companies to meet the specific needs of each executive
- Coverage is individually underwritten

Individual Coverage Offered on a Voluntary Basis

- Offer employees access to individual LTC coverage that can tailored to meet their needs
- Premiums can be paid after-tax by the employee or employer-paid (using pre-tax dollars) with the amount then internally deducted from the employee's bonus income
- Coverage is individually underwritten

Group Voluntary Coverage

- Company chooses a single plan and coverage for all employees
- Requires a certain level of company involvement in implementation
- Premiums are paid with after-tax dollars
- Guaranteed issue underwriting – everyone qualifies for coverage

Benefits for Executives in Washington

Long-Term Care Solutions

Tax Advantages

- Utilizing pre-tax dollars can result in a significant discount in coverage—up to 37% in the state of WA
- LTC insurance premiums (when paid by the company) are a deductible expense (IRC § 162) for the business and not considered W-2 income to the executive (IRC §§ 105-106)—essentially, a tax-free bonus.

Cost/Benefit Analysis: Pre-tax vs After-tax Funding

The table below assumes a 50-year old male with an annual income of $250,000:

PLAN	Annual Income Tax or Premiums	Pay half of current premiums	Tax Savings (When Company Funded)	Total Coverage Available
WA Trust Act	$1,450	$0	**$1,459**	$72,635
ExecutiveCare®	$1,283	$449	**$834**	$179,865
ExecutiveCare® 10	$4,136 (for 10 years)	$1,448	**$2,688**	$179,865

50 year old male, married non-smoker, 35% tax bracket. National Guardian Life LTC policy w/ 3% inflation protection.

*Assumes best case scenario for WA Trust Act: Maximum annual increase in benefits (using the 20 year average Washington CPI of 2.33%) and no increase in the income tax percentage.

We encourage you to review your clients' Life Insurance Portfolio and identify clients who have a need for Long-term Care protection to avoid paying state tax.

Contact a Gallagher Long-Term Care Specialist today for more information:

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Guarantees and benefits are based on the claims-paying ability of the issuing insurance company. Keep in mind that most life insurance policies require health underwriting and, in some cases, financial underwriting.

Income tax free distributions are achieved by withdrawing to the cost basis (premiums paid), then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value, and reduce death benefit, or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

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