



Funding Long Term Care Insurance Using an SPDA

SPDA + LTCI = Tax Efficient Protection

The Clients: Cindy and Tom, ages 62 and 65, married, considering Long Term Care Insurance.

The Situation: Cindy and Tom recently exchanged their jointly owned deferred annuity for a new jointly owned deferred annuity with the Genworth Financial companies (Genworth). They liked the combination of guaranteed rates and flexibility features offered by the Genworth annuity. When their agent, Dave, delivered the contract, they discussed other portfolio protection needs. Cindy mentioned that they would like to learn more about long term care insurance. Some friends had shared issues they're having providing care for an aging parent. Cindy and Tom don't want to be a burden to their children.

A Strategy: Dave sat down with Cindy and Tom to gain an understanding of their concerns. Dave is aware of new ways to fund long term care insurance using non-qualified annuities. He notes that their non-qualified fixed annuity has substantial gains and that they currently do not need that annuity to fund their retirement income.

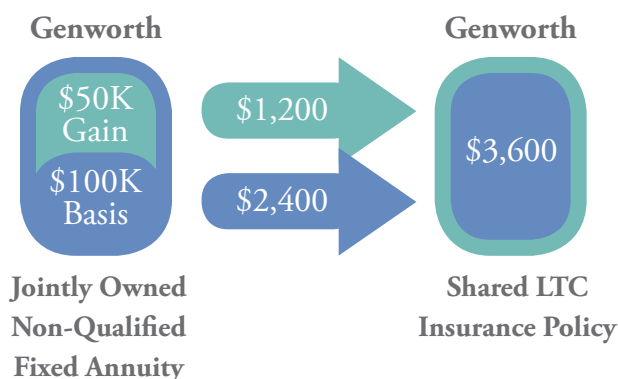
A Solution: Dave knows that beginning 2010, due to the Pension Protection Act of 2006, qualified long term care insurance may now be funded with full or partial tax free 1035 exchanges* from non-qualified annuities. After researching available options Dave recommends the following:

- Purchase a shared long term care insurance policy (LTCI) from the Genworth Financial companies.
- Complete form 42923LTC to initiate automated annual 1035 exchanges from the deferred annuity to fund their LTCI policy.

Dave was pleased to hear that when both the annuity and LTCI policy are provided by the Genworth Financial companies Genworth has made the 1035 exchange process simple by requiring only a single form to initiate annual tax-free distributions to fund a long term care insurance policy.

Dave explains to Cindy and Tom that the tax savings from this strategy effectively reduces the cost of their long term care insurance in comparison to funding it with after tax assets or withdrawals.

Summary of Dave's Recommendation:



- LTCI Policy Funded Via Partial 1035 Exchange
- The LTCI Policy Requires Annual Premiums
- The Gain and Basis in the Annuity are Reduced Pro Rata

* IRC §1035

Additional Considerations

- Most fixed deferred annuities from the Genworth Financial companies allow up to 10% surrender charge-free withdrawals each year. This flexibility combined with the new 1035 exchange provisions can make a fixed deferred annuity a good choice to fund long term care insurance. Annuity contract limitations, including surrender charges, should be carefully reviewed when considering a 1035 exchange.
- Owner(s) of an annuity and long term care insurance policy must be identical.

Questions to Begin the Conversation:

- How do you currently pay for your long term care policy premiums?
- Are you interested in recent tax changes that can make long term care insurance more affordable?

Contact Your General Agent for More information:

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