



Business Owners & Long Term Care Insurance

Business owners have some distinct advantages when purchasing long term care insurance, in the form of tax deductions, discounts, possible underwriting concessions, and ways to enhance their retirement plans.

The immediate advantage that business owners have is in the tax treatment of tax-qualified long term care insurance premiums. (*Here's my disclaimer - I'm not a tax professional; this is not tax advice, and you should talk to a tax professional for actual advice on this topic.*)

Business owners have tax advantages that non-business owners do not. For instance, *nonbusiness* owners can deduct a portion of their LTC premiums as an "unreimbursed medical expense" on their federal return, if they meet the 7.5% AGI trigger. But because most LTC insurance clients have a relatively decent income, it's often difficult for them to benefit from this. (In Maine, fortunately, there is an additional state deduction to fall back on.)

Business owners have different rules, though, because tax-qualified LTC insurance premiums are considered "self-employed health insurance premiums." This means that, even though the premiums may be reported out as income to the business owner, he or she will get some level of deductibility on the personal return. This applies primarily to S-corp members, sole props, partners, etc.

In a C-corp, there may be even better options, depending upon the actual circumstances of the case. In some instances, a C-corp owner/employee can pay for the coverage through the company *without it actually being reported as income, and the company can deduct the cost of the premiums*. This is clearly a win-win situation. Again, this is a discussion to have with the tax professional. Regardless, deductibility will be available to business owners to some extent.

The next opportunity for business owners to save is the "worksite discount." Many carriers will offer a discount - usually 5 or 10% - in groups as small as 3 lives. So, if the business owner offers this coverage to employees, either as an employer-funded benefit or a voluntary benefit, they may gain an additional discount for their own coverage, and that of their spouse or partner. (Since LTC insurance isn't currently subject to anti-discrimination rules, a business is not *required* to offer this to all employees. It can be provided for just the owner & spouse, or to an executive carve-out group.) If the company does choose to pay for coverage for employees, any premiums paid will be deductible to the company.

The third possible advantage is "simplified underwriting." In most cases, LTC underwriting consists of a full medical application, a telephone interview, and ordering medical records. With simplified underwriting, the process is less rigorous - just a handful of medical questions, and perhaps a telephone interview. In some circumstances, a client who might not qualify under full medical underwriting *may* be approved under simplified underwriting. Simplified underwriting is usually offered if an employer pays for a minimum number of employees - typically 10 or more. The company could fund a minimal base plan for the employees, but the owner could buy more coverage for himself, and take advantage of the simplified underwriting to do so.

Finally, there are ways that a client can actually get their long term care insurance in place and fully paid for *before they retire*. This is an excellent option for that 50-something business owner who plans to sell the company and retire at 65. He or she can run the premium through the

business over the next 10 years, take advantage of the appropriate tax features, and when they retire, they're covered for the rest of their lives, with no further premium payments needed guaranteed. This is a powerful retirement planning tool.

So, if you have business owner clients who haven't tackled the long term care problem yet, now's the time to discuss this with them.

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