

~ A REALITY CHECK AND TAX ALERT ~

Wisconsin and the Federal Government will Reduce your Income Tax for you to take care of Yourself in Retirement.

If you have a Qualified State of Wisconsin Long Term Care Insurance Plan you may not have to pay as much Federal or State Income Tax; the premiums are tax deductible or payable pre-tax from your HSA plan.

June 13, 2012

Dear Clients and Friends,

The Federal Government and the State of Wisconsin provides tax deductions and asset protection credits for your Qualified Long Term Care Insurance plan. The Medicaid, Nursing and Home Care "Safety Net" is disappearing. Take this opportunity to buy a Wisconsin Qualified Long Term Care Insurance policy!

**Do you want a group or individual Long Term Care quote?
Call Dave or Jon at 608-784-5433.**

Wisconsin will reduce your taxes if you to take care of yourself in retirement.

BACKGROUND

Have you ever wanted your health insurance premium returned to you because you did not get sick or injured? But you keep paying your premium because you need health insurance and you don't know when that \$50,000 to \$250,000 claim will happen. What do you do if you live too long or have a severe health problem that requires daily care?

Your odds of needing long term care are 1 in 2.

You can extend your present health insurance coverage to include Long Term Care on a tax deductible and premium credited basis to preserve assets and have your premium returned (less any claims paid) to your beneficiary or gifted to a worthy cause. You can also use your tax favored HSA money for these long term care premiums (in this case the returned premium would be taxed).

THE PROBLEM

Health Insurance, Workers' Compensation and Medicare pay for medically necessary services covered under those contracts and nothing more. When your group health, Medicare, Medicaid, Medicare Supplement or Advantage Plan does not pay, who does?

- Who pays for your Nursing Home after 30 days after a hospital confinement? – **You do.**
- Who pays for Home Health Care after the 30-40 home care visits a year? – **You do.**
- Who pays for help with Custodial Care (the 6 activities of daily living -ADL's)? **You do.**

"Armitage Inc. does not provide tax or legal advice. Please consult your CPA or Attorney for details and advice."

- Did you know that coverage under Medicare is limited to recovery from illness/injury? After 3 days of hospitalization, Medicare will cover 20 days of nursing home recovery with no deductible and another 80 days of recovery with a \$144.50/day deductible and then Medicare provides no coverage. Medicare requires that you are recovering (getting better) for coverage. If you are sent home and not to hospice, you are on your own. Medicare does not pay for maintenance care. There is no Long Term Care coverage in Medicare.
- Your odds of:
 - Having a house fire is 1 in 1,200.
 - Having an automobile accident is 1 in 240.
 - **Needing long term care is 1 in 2.**

Who pays for your needed care plus the mortgage, rent, utilities, etc? An episode of Nursing Home, Assisted Living or Home Care can cost \$50,000 to \$80,000 per year. How will you pay it?

YOUR OPTIONS

- You spend your assets. Call the “Aging and Disability Resource Center” for help and remember the “Five Year Look Back Rule” that can penalize you when you may need Medicaid. In most cases you can’t even give assets away.
- You qualify for Medicaid because of impoverishment.
- You move in with your children.

The reality is you may have to do all three and buy long term care insurance to take care of your future extended health care needs.

WISCONSIN QUALIFIED LONG TERM CARE INSURANCE PARTNERSHIP PLAN

This is only an example of a very basic plan that begins paying nursing care after 30 days, but pays right away for home health care has a very low price. Here are the highlights.

1. After a 30 Day Elimination Period, it pays 100% for Nursing Home or Assisted Living.
2. If you are at home receiving home health care, then there is a 0 day Elimination Period before 100% benefit. No 30 day wait elimination period.
3. The plan includes a 30 day respite benefit and a 60 day bed reservation benefit.
4. The plan reimburses at 100% to \$2,000/mo. for 2 years (\$48,000) and the benefit increases on a 3% compound basis every year.
5. If you die after 10 years of premium payment, all your premium (less any paid claims) is returned to any beneficiary you choose.

This is a very basic supplement to your health insurance.

Visit our website for our #19 Publication (link) and the Wisconsin Guide to Long Term Care (link)

If you don’t use it, you don’t lose it.

**THE PREMIUM FOR THIS VERY BASIC PLAN IS \$55/MONTH (MALE, AGE 50)
AND TAX DEDUCTIBLE BASED ON HOW IT IS PAID**

1. Can be 100% tax deductible to employer, no income to employee and benefits are tax free.
2. Can be paid pre-tax out of an employee’s HSA.
3. Employer and employees could share cost.
4. In a pass-through tax entity the owners receive a federal tax premium deduction based on age from the federal tax table below. These are also the premium limits you are allowed to take from your HSA.

LONG TERM CARE FEDERAL PREMIUM DEDUCTION AND HSA LIMIT TABLE				
Insured Age Before Close of Tax Year	2009 Tax Year	2010 Tax Year	2011 Tax Year	2012 Tax Year
40 or younger	\$320	\$330	\$340	\$350
41 to 50	\$600	\$620	\$640	\$660
51 to 60	\$1,190	\$1,230	\$1,270	\$1,310
61 to 70	\$3,180	\$3,290	\$3,400	\$3,500
71 or older	\$3,980	\$4,110	\$4,240	\$4,370

* Per Diem Tax Free Benefit Limit is \$310 per day.

5. All premiums paid, less any claims, can be returned to your beneficiary tax free if you add that rider.

Do you want a long term care quote? Could we talk about your tax favored extended health care plan, salary continuation, income deferral and estate planning?

**Call Dave or Jon at 608-784-5433 for your quote!
Or Visit our website www.armitageinonline.com for more
information!**

Note: An employee’s particular income and tax situation will affect their Long Term Care decisions. They should consult their tax professional and must complete the Wisconsin Long Term Care “Suitability Form” to qualify for the State of Wisconsin Partnership Plan.