



Executive carve out long term care insurance planning



When employers want to provide perks to their key executives and valued employees they often look beyond traditional benefits offered in the workplace. Executive carve out Long Term Care insurance (LTCi) planning can augment the benefits an employer typically provides by offering this valuable coverage to attract, reward and retain important employees. There are also many potential tax benefits and incentives to both the employer and employee by utilizing an executive carve out LTCi plan in the workplace.

Most employees have a basic need for LTCi planning.

Executive carve out LTCi arose from this basic need and has grown tremendously over the years. Often, an executive carve out presentation leads to a voluntary worksite sale. In 2016, there was a 22.1% increase in the number of worksite policies and a 12.4% increase in new annualized worksite premium.* Worksite LTCi sales accounted for 18.5% of the policies sold in the industry (up from 12.5% in 2015).*

There are many advantages to implementing an executive carve out LTCi strategy.

Among them include:

- Premiums for executive carve out LTCi plans can be lower than premiums for policies purchased outside of the employer group.
- Unlike many other employer-provided benefits, this strategy enables employers to 'carve out' and create a class of select employees to offer LTCi.¹

To encourage employers to provide this coverage, the federal government has granted these plans favorable tax treatment. Some key tax benefits of an executive carve out LTCi plan are:

- Provides the possibility of deducting LTCi premiums.²
- Reimbursement benefits received are not included in income.³
- Deductible insurance premiums are not treated as gross income to the employee.⁴
- HSAs can be utilized by the employee to pay tax-qualified LTCi premiums.⁵
- Spouses and dependents of employees are generally granted the same tax advantages.

Executive carve out LTCi planning creates opportunities to successfully work with businesses of different sizes.

There are approximately 1.7 million C-corps, 25-30 million S-corps, Partnerships and sole-proprietorships as well as many more small to medium-sized family held businesses in the U.S. By implementing an executive carve out LTCi plan, you can help employers provide a meaningful benefit to the key people in their business. In addition, you can help employees protect their 401(k) or retirement plan assets against the future costs of long term care. Executive carve out LTCi planning is, without question, an important source of needed coverage for many people and has become a desired plan by both employers and employees.

To learn more about executive carve out LTCi and how to use this valuable planning technique, contact your long term care planning expert for more information on National Guardian Life Insurance Company's (NGL) Long Term Care insurance, EssentialLTC.

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*2017 Analysis of Work Site LTC Insurance, Broker World, August 2017.

(1) Reg. 1.105-5
(2) IRC 213(d)(1)(D), IRC 213(d)(10)
(3) IRC 104(a)(3), 7702B(a)(2)
(4) IRC 106(a), Reg. 1.106-1
(5) IRS Notice 2004-50, Q and A41 (HSAs)

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