



# The Long-Term Care Services<sup>SM</sup> Rider with life insurance

## Business planning

### A smart addition to any business plan

#### The problem

Businesses use life insurance to protect themselves against the loss of a key person or to help a buy-sell when an owner dies. But what can you do when you need a lifetime buyout, incur expenses or lose revenue when an owner or key employee becomes long-term care impaired?

#### A possible strategy

A permanent life insurance policy from Equitable Financial or Equitable Financial Life Insurance Company of America with its indemnity-style Long-Term Care Services<sup>SM</sup> Rider (LTCSR) can be an ideal strategy.<sup>1</sup> A business can obtain a needed death benefit, but also has cash value for a living buyout or to potentially help provide a supplemental retirement benefit. The LTCSR provides a long-term care benefit that allows the plan to be put into place without waiting for an impaired key person or owner to die. Where can such a policy help?

- **Buy-sell between co-owners** — Each owner can hold a policy on their co-owners to complete a buy-sell in the event of death, and with the LTCSR, they can accelerate the death benefit in the event of a qualifying impairment, triggering a living buyout.
- **Retirement buy-sell** — Here each owner owns their own policy and endorses a portion of the death benefit to their co-owners to execute the buy-sell in the event of death and a long-term care impairment. At retirement, each owner can terminate the agreement and retain a policy on their lives for death benefits, potential cash values to help supplement retirement or for its LTC benefits.



#### Ideal business clients:

- Owners who need to fund a business continuation plan or cover key person costs if there is a premature death or a long-term care event
- Owners who recognize that long-term care can potentially be a serious problem for employees
- **Owned by the business** — In some cases a redemption by the business makes sense. Here too, a business can own a policy on its owners and use the LTCSR to put in place a living buy-sell in the event a business owner becomes LTC impaired.
- **Key person protection**
  - Protect the business against the loss of one of its most valuable assets — the earning power or specific skills of a key person. The LTCSR and accelerated death benefit can help pay for the costs of finding a qualified successor, can carry the business while experiencing losses and protect against calls in credit lines, etc.
  - The same policy and rider can do double duty; one policy can provide a “Golden Handcuff Executive Benefit” for the key person in the form of family protection, potential supplemental retirement income and now a policy with a LTCSR feature.
- **Where the key person has retired** — A policy with its Cash Surrender Value (CSV) and LTCSR can be transferred to the departing executive as a source of a nonqualified retirement benefit.

## The indemnity nature of the rider makes it work

Because our LTCSR is an indemnity-style rider, qualified under Tax Code Section 7702B, it allows for its use in a business. Indemnity riders run to the status of the insured. As a result, if the insured has a LTC-qualifying event, the business or co-owner can accelerate the death benefit based on whatever portion of the death benefit it elects to accelerate. There's no need to incur the actual LTC expenses with an indemnity rider. And, because the LTCSR is a Section 7702B rider, the accelerated benefits might be able to be received income tax-free by the business. That isn't the case with a Section 101(g) rider, where the benefits are taxed. In effect, our rider offers an added benefit.<sup>2</sup>

## See how cost-efficient the VUL Legacy® with the LTCSR can be<sup>3,4</sup>

**VUL Legacy® — \$2,000,000 face amount — 2% LTCSR offers a maximum monthly benefit of \$40,000<sup>5</sup>**

Amounts based on a Male, Preferred Non-Smoker

	Age 35	Age 45	Age 55
Insurance premium without LTCSR	\$7,900	\$13,500	\$24,000
Insurance premium with 2% LTC benefit <sup>6</sup>	\$8,700	\$14,800	\$26,200
Incremental cost	\$800	\$1,400	\$2,200
Incremental cost percentage	11%	10%	9%

These policies, which target endow age 121, were run using 7% and the GPT definition of life insurance with a level death benefit in all years.

## Why Equitable?

**To help protect the financial security of our clients and their families, we offer:**

- Strength and stability. For 160 years, we've been working with clients across generations, building on what's proven and pursuing what's possible.<sup>7</sup>
- A range of products and riders allow clients to customize policies to their exact needs and risk tolerance.
- A Long-Term Care Services<sup>SM</sup> Rider with industry-leading features, including the ability for home health coverage, a true Option B feature to help keep pace with cost-of-living changes, the ability to preserve a portion of the death benefit, the ability to file foreign claims and the ability to receive up to two times HIPAA daily limits.<sup>8</sup>
- An indemnity LTCSR and treatment under IRC §7702B offer added benefits.

1 In Florida, this rider is called the Long-Term Care Insurance Rider, and in California, this rider is called the Comprehensive Long-Term Care Rider. Insureds age 60 and older who elect this rider on VUL Legacy® will not be eligible for the preferred elite or preferred non-tobacco underwriting classes.

2 The business should consult with its own tax advisor for how they will treat the benefit. Also see Equitable Financial's Planning Perspective on the taxation of LTC riders.

3 NLG premium must be satisfied to get the rider.

4 Note that the insured should be aware the benefit will be paid to the business. The business can separately elect to pay a portion to the insured as an independent benefit plan.

5 See product guide for details. The current limit is two times HIPAA (current max is \$23,400/month in 2022 and in New York, one times HIPAA limit or \$11,700/month).

6 Benefits paid under the Long-Term Care Services<sup>SM</sup> Rider are an advance of the life insurance death benefit, and will reduce the death benefit otherwise payable at the insured's death.

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8 This is available in all states other than New York. Amounts over one times HIPAA will be subject to taxation.

**For more information, please contact the  
Life Insurance Sales Desk or visit [equitableLIFT.com/lfc](https://equitableLIFT.com/lfc).**

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