

The Software from Financial Scenarios is designed to help people look at various factors in their financial life and quickly determine if they have any potential landmines waiting for them. Each Scenario is slightly different and due to the ease of use and the ability to play what if, can fit a number of different situations.

The Hybrid LTC Financial Scenario is designed to do three things.

First: Determine how big the potential Long Term Care problem is in Today's Dollars based on 5 Factors.

1. Cost of Care Today
2. Projected Year that Care may be needed
3. Length of time in years that care may be required
4. Projected increase in the Future cost of care
5. The rate of return one can expect to determine the amount of capital needed today to provide for that projected future need.

In most cases, once the advisor has gone over these variables and the Scenario calculates the amount of capital required today, the advisor can provide an illustration of the LTC Insurance product they would suggest and the premium is usually less than 1 or 2 percent of the capital required. That alone should provide an excellent alternative to self funding.

Secondly: Show how the prospect can set up a program, due to their current good health, that will allow them to have long term care coverage for themselves and their spouse in case they need it and then end up having all premiums paid for the coverage returned to their heirs on an income tax and potentially estate tax free basis. Unfortunately one of the many reasons people who are both healthy and who can also afford the premiums don't think that they will ever need some form of care, is they have a real hard time seeing themselves as being old and debilitated (denial). They also then rationalize that buying LTC Insurance, which they will never need, is a waste of money. We can return all of the premiums paid in, by also purchasing a second to die Universal life policy with a secondary guarantee rider with the Face amount equivalent to all projected premiums paid for both Long Term Care Insurance and for the Life Insurance.

Thirdly: Show how the prospect can pay for both policies by using money in a IRA, SEP, or 401K plan or from other funds that would have been left in the estate after both spouses had passed, which could have been subject to income tax or estate tax or both.

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Email-Ready PDF Digital Business Cards
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Insurance Choices

The first thing you have to do is determine the potential life expectancy of the client with the longest life expectancy. This is usually the wife. The Scenario will calculate the life expectancy by entering the age and sex of the person but since Life Expectancy is an average you may want to evaluate if that person is in excellent health now and has a family history of long life. If so, you can adjust the life expectancy. This calculation determines how many years life insurance premiums will be required. It also set the stage for doing some planning.

After you do this you can click the life expectancy checkbox and close the life expectancy dialog box.

Click Me First! **Long Term Care Financial Scenario**

Life Expectancy

Cost of Long Term Care Hybrid Concept Insurance Funding

Projected Cost of Long Term Care

Single Life Expectancy
CSO 2001 Table

Female Age 58

28 Years LE+ 3

Capital Required Today!	Total Cost of Future Care!
\$423,237	\$1,005,336

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Scenario LTC1Plus initially asks “ 5 QUESTIONS“
about Long Term care:

1. How much does it cost today?

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The How Much? Company

Email-Ready PDF Digital Business Cards Complete with Unique Financial Calculators can be personalized with the Advisors:

- Name
- Address
- Company Logo or Photo
- Telephone
- Website

The Advisor can email the Scenario to an "UNLIMITED" number of prospects.

The Scenarios are so easy to use to adjust the data you only need to point and click..

The Advisor can then call the prospect to go over the Scenario on the phone or set up an appointment to do so in person. Once you go over the Scenarios with the prospect they either get it or they don't get it and if not you can move on to someone that does.

Scenario LTC1Plus initially asks "5 QUESTIONS" about Long Term care:

1. How much does it cost today?
2. When do you think you would need it?
3. How long will you need it?
4. How much is the cost of care going up each year?
5. What kind of return can we plan on getting for the your Long Term Care fund?

After you answer those questions the LTC Scenario "INSTANTLY CALCULATES" and Graphs how much "CAPITAL" you would need "TODAY , \$423,237", to fund that future care. It also "INSTANTLY CALCULATES" how much the "TOTAL COST OF THAT CARE" would be. The Advisors job is to show the prospect that there are less expensive solutions to this problem.

Insurance Choices

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Daily Cost of Care Today
\$200

Projected Year Care is Required
20

Projected Years of Care Needed
5

Annual Increase in Cost of Care
5.0%

Projected Annual Return on Investment
4.0%

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Click Me First!
 Life Expectancy

Long Term Care Financial Scenario

Save Scenario

Cost of Long Term Care | Hybrid Concept | Insurance Funding

Projected Cost of Long Term Care

Capital Required Today!	Total Cost of Future Care!
\$423,237	\$1,005,336

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The Hybrid concept allow you to show how much premium is required to purchase both the Long Term Care Insurance and a secondary guarantee Universal life policy to repay all premiums paid for both polices.

You just need to run the illustration for the second to die policy from the company of your choice for \$100,000 at standard rates and then divide the annual premium by 100 to get the premium per thousand. Enter that in the life premium per thousand.

Enter the premium for the Long Term Care policy.

Move the slider under the chart until the red and green bars are equal. The premium is calculated by multiplying the life expectancy for the person with the longest life expectancy time the premium per thousand for the amount of insurance needed to repay the premiums for both policies.

The premium for the long term care policy ends because of waiver when the client starts receiving care in year 20.

A Hyrid Plan allows you to Leverage Your Good Health!

The Hybrid Plan **Long Term Care Financial Scenario**
 Life Expectancy Save Scenario

Cost of Long Term Care
Hybrid Concept
Insurance Funding

Life Insurance Death Benefit Minus Premiums Paid: **\$6,396**

Return of Premium

Capital Required Today to Pay for Future Care
\$423,237

Daily Cost of Care:

Year When Care is Required:

Number of Years of Care:

Annual Increase in the Cost of Care:

Annual Return on Invested Capital:

Life Premium Per \$1000:

LTC Insurance Premium:

Annual Premium LTC + Life Insurance: \$6,220

Total Insurance Premium: \$129,160

Total LTC Benefit: \$1,005,336

Total Life Insurance: \$135,556

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Quick Summary: The client purchases a second to die life policy for \$1,220 a year and a long Term care policy for \$5,000 a year. Total premiums paid for both policies at the second death is \$129,160 and death benefit to heirs or estate is \$135,556. If either client needs care in the 20th year they will each have access to \$1,005,336 in benefits to pay for that care. If care is needed sooner benefits are available at that time based on the pool of money available that is designed to grow at annually at 5% until needed.

You have to determine how much money is needed to pay the required premiums forecasted over the time of need until the second death. You enter an amount and move it up or down to allocate just enough money to end up with a minimal positive balance in the insurance fund at time of death.

The insurance funding shows how the money to pay for both policies can be taken gradually out of a retirement plan to pay both the premiums as well as the income taxes associated with those withdrawals. Income taxes will always have to be paid in either event whether you take the money out now or later.

The client only has to set aside \$124,500 to pay the premiums or 29.4% of what would need to be set aside without insurance for just one person. Based on two people it works out to less than 15% of what would be needed for them both and at the end of it all the premiums are returned to the estate in the form of a tax free death benefit.

If death occurs sooner for either insured then the premium costs will be less but the death benefit will remain the same.

Capital Required Today to Pay for Future Care
\$423,237

IRA/SEP/401K Account
\$124,500

Growth Rate
4.0%

Income Tax Rate
31.0%

Year Care is Required
20

Year Care Ends
25

Pre-Tax Life Insurance Premium
\$1,768

Pre-Tax Long Term Care Premium
\$7,246

Long Term Care Financial Scenario

The Hybrid Fund Life Expectancy Save Scenario

Cost of Long Term Care | Hybrid Concept | **Insurance Funding**

% of Today's Capital Required: **29.4%**

Life Insurance **\$135,556** | **LTC Benefits** **\$1,005,336** | **Insurance Fund** **\$1,361**

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Note* The Scenario does not reflect any IRS penalties for withdrawal due to a client being under age 59 1/2

In Summary: The Client has been made aware of the potential cost of a long term care event. Has been shown a less expensive way to pay for that care, rather than out of pocket, and has also been shown a way to reposition assets to mitigate the risk and to leverage their good health today. By purchasing both policies, in the end, all of the premiums are returned by the insurance company.