

# **Your clients can use their IRAs for Long-Term Care Expenses & Turn taxable dollars into income tax-free dollars for their heirs**

You can assist those clients who are “Qualified Asset” heavy, to use a portion of those dollars to protect themselves and a partner from LTC expenses with Asset-Care III.

Asset-Care III includes:

- an IRA annuity that automatically funds a
- 20-pay whole life insurance policy each year.

The following are common [Asset-Care III](#) questions and their answers:

## 1. How do the withdrawals from the Asset-Care III IRA annuity work to fund the life policy?

Each year, a withdrawal is taken (which is taxable to the owner) from the [Asset-Care III IRA](#) annuity until the 20-pay life insurance policy is paid up and the annuity is exhausted. The annual withdrawal is approximately 6.5 percent of the initial annuity premium.

## 2. How does the RMD (required minimum distribution) feature work on the [Asset-Care III IRA](#) annuity?

When the client turns 70½, we will calculate the RMD based upon the IRA cash value we have. If the required withdrawal to meet the RMD is greater than the withdrawal to fund the 20-pay life policy, we will send the difference to the client surrender charge free. State Life will continue the RMD for as long as there is a balance in the annuity.

## 3. What happens to the [Asset-Care III IRA](#) annuity at the death of the owner/annuitant?

Generally, if the spouse is the beneficiary and a joint insured, then the spouse may take over the IRA and continue to fund the Asset-Care III life policy. If a non-spouse is the beneficiary, the IRA proceeds will be taxable income to the beneficiaries and must be distributed according to IRS rules. If the life policy has a surviving insured, this could prevent the IRA annuity from funding the life policy. On joint life Asset-Care III policies, it is recommended that the spouse be the beneficiary of the IRA annuity, so the surviving spouse may continue funding the joint life policy.

## 4. How are long-term care benefits from the [Asset-Care III IRA](#) annuity taxed?

Withdrawals from an IRA are taxable income. However, they may be tax-deductible as unreimbursed medical expenses (to the extent the taxpayer itemizes and all expenses exceed 7.5 percent of the taxpayer's adjusted gross income).

## 5. How are long-term care benefits from the [Asset-Care III](#) life insurance policy taxed?

Long-term care benefits from the Asset-Care III life policy are intended to be tax-qualified and therefore income tax-free for qualifying long-term care.

## 6. How is the [Asset-Care III](#) life insurance policy taxed at the death of the insured?

When the insured dies, or the second insured on a joint policy dies, the death benefit of the life policy passes income tax-free to the insured's named beneficiary.

## 7. Why is Waiver of Premium important on [Asset-Care III](#)?

If your clients select Waiver of Premium on Asset-Care III, then at the time we begin paying their LTC claim, they will not be required to take the annuity withdrawal to pay for the life policy premium. This can be beneficial if a claim occurs anytime during the 20-year premium paying period. Premium on the life policy would again be due after the insured(s) stop receiving LTC payments.