Long-Term Care Insurance for Business Owners

Protect your assets and business while delivering a valuable employee benefit

Cost of long-term care:

- Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and support in their remaining years.1
- The national average cost for a private room in a nursing home is $100,375 annually.2
- The 5-year annual growth on the cost for a private room in a nursing home is 3.64%.2.1


What is long-term care?

Long-term care is the assistance to those who need help performing daily activities due to health issues. These activities can include bathing, continence, toileting, dressing, eating, and the ability to move in or out of bed or a chair. For cognitive impairment, such as Alzheimer’s or dementia, that assistance can also require special care like 24-hour supervision. And while it may be difficult to imagine needing such assistance today, it is when the need arises that the value of having a long-term care strategy is fully realized.

People often associate long-term care with a nursing home. And yes, some do receive care in nursing homes or assisted living facilities, but the majority of care takes place in one’s home. Often this care is provided by family members and friends who are unpaid. If you have ever been in a care-giving situation, you understand the physical and emotional toll it can take.

LTC and your business

Depending on the tax-structure of your business, there may be significant tax savings when you use business dollars to purchase stand-alone (traditional) long-term care insurance. Stand-alone long-term care insurance pays benefits only for long-term care and usually provides the most benefit per dollar of premium paid. These types of policies are highly customizable and allow you to select the amount of benefit and how long coverage lasts.

- **Buy long-term care insurance for you and your spouse.** Your premiums may be fully or partially tax-deductible, depending on your business structure (see the table on the next page).

- **Offer long-term care insurance as a benefit for a select group of officers or key managers.** Older employees know that long-term care is a major financial risk and place a high value on employer-provided long-term care benefits. Many insurance companies offer discounts when multiple policies are purchased through a business. You can typically deduct the cost of premiums for non-owner employees.

- **Let employees buy long-term care insurance for their parents.** Your business loses productivity when valuable employees miss work to care for elderly parents. You benefit when you make it convenient for key employees to provide quality care for parents. Insurance companies often offer premium discounts for multiple long-term care policies purchased through a business. In most cases, the payment of premiums for a parent is not tax deductible by the business or employee/child.

Benefits received from a qualified long-term care policy are income-tax-free in all situations above. See the following page for a summary of additional tax rules and limitations.
**Tax treatment summary for business long-term care insurance**

**Coverage for an owner and/or spouse**

<table>
<thead>
<tr>
<th></th>
<th>C CORPORATION</th>
<th>SOLE PROPRIETOR S CORPORATION (More than 2% shareholders)</th>
<th>PARTNERSHIP LLC TAXED AS PARTNERSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner pays premiums for self/spouse</td>
<td>Usually no deduction for the owner. This could be a deductible medical expense on the owner’s individual return but only if total deductible medical expenses exceed 10% of adjusted gross income. No deduction for the business.</td>
<td>Amount of the “eligible premium” is deductible on the owner’s personal tax return.²</td>
<td>No deduction for the business.</td>
</tr>
</tbody>
</table>

| Business pays premiums for owner/spouse | Premiums are deductible to the business and are not taxable income to the owner. | Premiums are deductible to the business but also treated as taxable income to the owner. However, the amount of the “eligible premium” is deductible on the owner’s personal tax return.² |

**Coverage for employees**

<table>
<thead>
<tr>
<th>Business pays premiums for employee who is not an owner</th>
<th>Premiums are deductible to the business and are not taxable income to the employee.</th>
</tr>
</thead>
</table>

| Employees pay their own premiums | Premiums are not deductible to the business. Usually no tax deduction for the employee. This could be a deductible medical expense on the owner’s individual return but only if total deductible medical expenses exceed a specific percentage of adjusted gross income. |

| Employees pay premiums for parents | Premiums are not deductible to the business. Usually will not be deductible to employee unless parent is a legal dependent; even then, limits on medical expense deductions will apply. |

This table is only a summary and does not cover all situations. You should consult your own tax advisor and ERISA counsel to determine how tax rules and ERISA apply in your particular situation. Additional limits on the deductibility of premiums may apply.

Actual premium is the actual amount paid for a long-term care policy. Eligible premium is an amount determined annually by the federal government.

2. Eligible premium amounts for 2019 are as follows: $420 deductible amount for those aged 40 years and younger, $790 for those between the ages of 41 and 50, $1,580 for those between the ages of 51 and 60, $4,220 for those between the ages of 61 and 70, and $5,270 for those aged 71 and older. The amount of eligible premium may be deducted for both the owner and spouse.

**Helping your business**

Contact your financial advisor today for more details about how long-term care insurance can help protect your business and personal assets. Your financial advisor can help discuss which policy features may be right for you.

Wells Fargo Advisors offers other strategies to help you reach your financial goals. Business owners turn to us to address a variety of issues, including:

- Retirement savings through qualified plans that provide both salary deferral and tax-deferred growth potential
- Business insurance to protect against the death or disability of an owner and/or key employees
- Supplemental executive benefits through nonqualified deferred compensation or bonus plans

Wells Fargo Advisors is not a legal or tax advisor.

Insurance products are offered through nonbank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and nonbank affiliates of Wells Fargo & Company.

© 2019 Wells Fargo Clearing Services, LLC. All rights reserved. BNA-6574262