



# LIFE INSURANCE PLANNING FOR GUIDANCE FOLLOWERS

## Strategy Summary

Offering Guidance Followers a strategy that will help pay for long term care if they need it and provide a federal income tax-free death benefit if they don't.

### Who is a Guidance Follower?

Guidance Followers are individuals who seek expert advice before purchasing a financial product. They have the ability to do their own planning, but they lack the time or desire and would prefer to pay an expert to help them. Guidance followers are more interested in taking care of their family and less motivated by personal gain. Retirement savings and long term care costs are two of their biggest concerns.

### Market Opportunity

- The number of Americans who are interested in seeking financial advice has increased 11% since 2013.<sup>1</sup>
- 86% of Americans who received financial advice in 2013 acted on the guidance they received.<sup>1</sup>
- 70% of people over age 65 will require some form of long term care.<sup>2</sup>
- Average retirement savings for the baby boomer generation is around \$75,000.<sup>2</sup>
- The average annual cost for a private room in a nursing home is \$83,580.<sup>3</sup>

### Long Term Care (LTC) Rider

Transamerica's Long Term Care (LTC) Rider is designed to accelerate the policy's death benefit and provide benefits to the policy owner that help offset LTC expenses. This rider is available on TransNavigator® Index Universal Life (IUL) insurance policies.

### TransNavigator® Index Universal Life

Transamerica's TransNavigator® Index Universal Life (IUL) may be a smart policy option for Guidance Followers; in addition to lifetime death benefit protection, a TransNavigator policy offers upside potential with downside protection. Net premiums are allocated to index account options selected by the client. The index accounts are credited with interest based, in part, on changes in certain stock market indexes. The index accounts have a guaranteed minimum interest rate, or "floor" so, even if the underlying indexes perform poorly, the index account will not be credited with less than 0.0% interest. Index account interest may be credited up to the index account's current Cap.

### Client Profile

- Clients seeking expert financial advice.
- Clients with multigenerational planning needs; also known as the "sandwich generation."
- Clients who are concerned about being a burden on their family after they pass away, or when they're still alive.
- Clients seeking life insurance and long term care in a single policy.

### Available Materials/Tools

Hypothetical illustrations can be run with our TransWare® illustration software. Contact the Sales Desk for more information.

#### Producer

- OL 3251 TransNavigator/Long Term Care Rider Quick Facts
- OL 3197 TransNavigator Quick Facts
- OL 3205 Long Term Care Rider FAQ
- OL 3325 Effects of Caps & Floors on IUL Index Accounts

#### Consumer

- OL 3183 Long Term Care Rider Consumer Guide
- OL 3198 TransNavigator Consumer Guide

<sup>1</sup> TIAA-CREF 2014 Advice Matters Survey. TIAA-CREF Financial Services. September 9, 2014.

<sup>2</sup> Don't Take a Lifestyle Cut in Retirement. Fidelity Investments. <https://www.fidelity.com/viewpoints/retirement-readiness>. April 18, 2012.

<sup>3</sup> National Clearinghouse for Long-Term Care information, U.S. Department of Health and Human Services. [http://www.Longtermcare.Gov/LTC/Main\\_site/Paying/Costs/Index.Aspx](http://www.Longtermcare.Gov/LTC/Main_site/Paying/Costs/Index.Aspx). June 2012.

**TransNavigator IUL® with the Long Term Care Rider: Multiple Benefits, One Policy**

- Federal income tax-free death benefit
- Funds to help pay for long term care expenses
- Policy value accumulation potential
- Choice of Level or Increasing death benefit option
- Downside protection of a guaranteed minimum interest rate of 0.0%
- A potential source of tax-advantaged funds through loans or withdrawals for needs that may arise\*

**EXAMPLE: Kathy**

Kathy is 43 years old. She's married with two kids and does not currently own a life insurance policy. Kathy's in good health now, but worries about the future. She recently moved her mother into a nursing home for cognitive issues. Kathy's seen first-hand what happens when someone needs long term care.

Kathy wants to make sure her husband and her kids are protected. She's also concerned about retirement; she's looking for another opportunity to supplement her retirement income and diversify her overall financial portfolio. However, considering her mother's situation, long term care is a top priority. Kathy's interested in the potential accumulation benefits associated with an IUL, but she's concerned about the potential costs of adding an LTC Rider to the policy.

Kathy's agent illustrates a TransNavigator IUL with and without the Long Term Care Rider.

**Hypothetical Projections**

TransNavigator® IUL with a 6.5% Illustrated Rate

Increasing Death Benefit Option

Each year, for 15 years, Kathy pays \$10,000 in premiums. Her initial death benefit is \$400,000.

	TransNavigator® IUL 6.5%		TransNavigator® IUL w/ LTC Ride 6.5%	
Values	Cash Surrender Value	Death Benefit (DB)	Cash Surrender Value	DB/LTC
Age 75	\$556,120	\$956,121	\$528,960	\$928,960
Age 80	\$736,742	\$1,136,742	\$686,120	\$1,086,120
Age 85	\$957,024	\$1,357,024	\$864,784	\$1,264,784
Age 90	\$1,196,068	\$1,596,069	\$1,038,777	\$1,438,777

$$\$556,120 - \$528,960 = \$27,160 \div 32 \text{ years} = \$848.75 \text{ per year}$$

At age 75, the Cash Surrender Value of the policy would be \$556,120 *without* the LTC Rider. With the LTC Rider, the Cash Surrender Value would be \$528,960, as long as the LTC Rider has not been used; a difference of \$27,160 over 32 years, or **\$848.75 a year**.

This example is based on a hypothetical illustration for the TransNavigator, Female, age 43, Preferred NS, with and without LTC rider. All values shown in the LTC column assume that the LTC Rider has not been exercised. Exercising the LTC Rider would significantly alter these illustrated amounts. This chart is based on nonguaranteed assumptions that continue unchanged for all years. This is not likely to occur and actual results may be more or less favorable. All non-guaranteed elements are subject to change by the company. Keep in mind that the purpose of an illustration is to show how a policy might work in different scenarios, including minimum interest rates at guaranteed charges. Illustrations may not be used to predict or project future policy values. Please refer to the basic, hypothetical sales illustration for guaranteed elements and other important information.

## Why Transamerica?

Transamerica can be a helpful provider for Guidance Followers. Our advantages include:

- Transamerica can provide life insurance and long term care in a single policy.
- Claims will be administered by Transamerica's LTC operations which pays over \$1.7 million in claims daily.<sup>1</sup>
- Transamerica's LTC Rider can be used to accelerate the policy's death benefit for qualifying long term care expenses during the insured's lifetime.

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<sup>1</sup>Policy Benefits paid, Transamerica Long Term Care, 2013. [https://www.taltec.com/ARC/\\_media/docs/AboutTALTC.pdf](https://www.taltec.com/ARC/_media/docs/AboutTALTC.pdf)

\*Withdrawals and policy loans can only be made in accordance with policy provisions and if the policy has been in force long enough to accumulate sufficient value. Loans, withdrawals and death benefit accelerations will reduce the policy value and death benefit. Withdrawals are subject to Partial Surrender Charges if they occur during a surrender charge period and result in a face decrease. Loans are subject to interest charges. If a policy lapses while a loan is outstanding, adverse tax consequences may result. Policy loans are generally not taxable when taken and cash withdrawals are not taxable until they exceed basis in the policy. However, if the policy is treated as a Modified Endowment Contract (MEC) by IRC Sec. 7702A, withdrawals and loans are taxable at an ordinary income tax rate when taken to the extent of gain in the contract and the gain may also be subject to a 10% federal income tax penalty if taken prior to age 59½. Cash distributions associated with benefit reductions, including reductions caused by withdrawals during the first 15 years, may be taxable. Policy owners should consult with their tax advisor regarding their particular situation.

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TransNavigator® is a flexible-premium index universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form No. ICC14 IUL08 REV or IUL08 REV, Long Term Care Rider Form No. ICC12 LTCR03 or LTCR03. Policy and rider form and number may vary and this policy and rider may not be available in all jurisdictions.