

# **Weingarten Associates, L.L.C.**

*Plan now for a calm financial future*

## **Winter 2004 Newsletter**

### ***Long-Term Care Insurance: Tax Implications***

Trina Weingarten, President of Tax Services

The topic for this article was suggested by one of our clients. He wanted to understand the deductibility of premiums paid for qualified long-term care insurance premiums. The rules are different for individuals, the self-employed, and the various business entities. We will cover individuals and the self-employed.

Individuals who pay qualified LTC premiums themselves may be able to deduct a portion of their premiums paid. Qualified LTC premiums are considered deductible medical expenses. Remember that total unreimbursed medical expenses must exceed 7.5% of federal adjusted gross income and 2% of New Jersey gross income for deductibility. If you do not meet this threshold, your premiums are not deductible. If you do meet this threshold, there are further limitations based on your age. For example, individuals between ages 51-60, \$940 of your 2003 premium is considered a deductible medical expense. If you are between ages 61-70, the 2003 deductible premium increases to \$2,510.

The story is a bit better for self-employed individuals because the qualified LTC premiums *can* be deducted as an above-the-line business expense. The limits that applied based on one's age still apply. If your premiums are higher than the IRS limits *and* your medical expenses exceed 7.5% of adjusted gross income, you may be able to deduct the amount *above* the IRS limits as well.

If you are paying qualified LTC premiums, please let us know when you provide your tax information to us for tax return preparation. Your deduction may be significant!

### ***Long-Term Care Planning Considerations***

Ken Weingarten, President of Financial Planning Services

When it comes to planning for retirement, most people are focused on saving money for retirement through IRAs, employer-sponsored retirement plans, and individual brokerage accounts. As important as this is, we must also think of the potential risks that may lie ahead that will cost us money in the future. We hear about rising health care costs all of the time, especially prescription drugs. Unfortunately, we do not hear enough about the potentially catastrophic situations that will deplete our savings. We are alluding to the possibility of you, or your spouse, becoming ill with a chronic disease, or being involved in an accident so severe that you will need some type of assistance on an on-going basis.

Think about Christopher Reeve, Michael J. Fox, and Annette Funicello. These are all individuals who have a chronic disease or a debilitating physical disability due to an accident. Ask yourself this question: *“If something happened to me right now, would I be able to afford the cost of skilled nursing care for an extended period of time?”* Though it may seem unlikely that a healthy individual under the age of 65 will need assistance for an extended period of time, it is *not* impossible. Never treat the high unlikely as impossible.

What does nursing care cost in our area? Skilled nursing care in a nursing home will cost about \$220/day, or more than \$80,000 per year. The cost of this care is rising, and sometimes more than the general inflation rate. This is something that everyone should consider when planning for retirement or when evaluating various risks that can devastate a family.

Is long-term care insurance the answer for everyone? We all have our unique financial situation, and the advantages and disadvantages of insurance must be considered. As a fee-only planning firm, we can help you evaluate your long-term care planning needs and make a recommendation. We will help you to purchase what you need, as opposed to what the insurance agent needs. If insurance is appropriate, we can refer you to a trusted source.

If you have an idea for a future newsletter topic, please send us an e-mail. If you have any questions about the topics discussed in this newsletter, please call Ken or Trina at (609) 912-1578.