



Giving Clients *Everything They Want*

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WHAT IS A SUCCESSFUL PRACTICE?

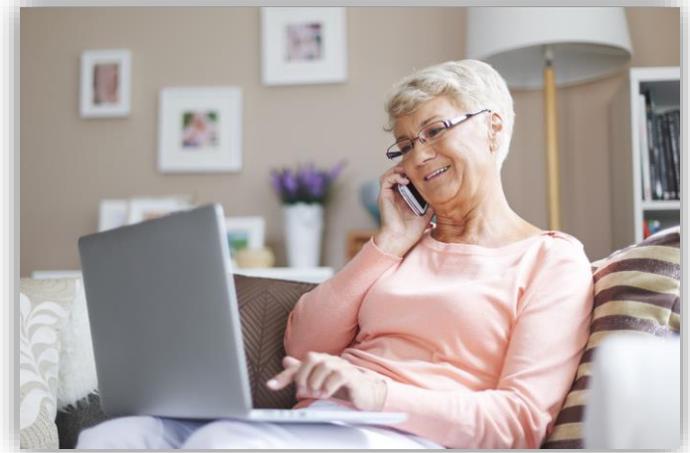
- The income you need to confidently maintain your lifestyle
- Satisfaction from competently serving your clients' needs
- The Personal freedom to design your work-style and lifestyle
- Building value into your practice that lasts generations



WHAT DO CLIENTS WANT?

For Themselves:

- Secure income throughout retirement
- The ability to live the lifestyle they choose
- Protection of assets from creditors and predators
- Independence and autonomy
- Create a legacy for future generations



WHAT DO CLIENTS WANT?

For Their Families:

- Financial independence and security
- Protection of family wealth: D-I-V-O-R-C-E
- Perpetuation of family legacies
- Happiness and fulfillment



LISTEN TO GRETZKY

"Skate to where the puck is going..."

- Wayne Gretzky

TAX LAW

Individual Tax Rates

*New rate structure expires after 2025 /
Planning: Marriage penalty only in start of top bracket*

Income Tax Rates	Taxable Income Not Over	
	Single	Joint
10%	\$9,525	\$19,050
12%	\$38,700	\$77,400
22%	\$82,500	\$165,000
24%	\$157,500	\$315,000
32%	\$200,000	\$400,000
35%	\$500,000	\$600,000 (not \$1m)
37%	\$500,000	\$600,000 " "

Capital Gains

2018: Retain 0, 5 and 20% rates

- 15% rate at \$38,600 for single filers; \$77,200 for joint filers
- 20% rate at \$425,800 for single filers; \$479,000 for joint filers

Administration proposing indexing for inflation

TAX LAW

- Federal estate and gift tax exemption amount was doubled, and adjusted for inflation, to \$11.40 million for an individual (effectively \$22.80 million for a married couple due to portability)
- The exemption increase is scheduled to sunset and revert back to \$5 million on December 31, 2025, adjusted for inflation
- Annual exclusion remains \$15,000



TAX LAW

- Gifting opportunities in New York- No Gift Tax!
- NYS estate tax exemption is \$5.74 million (up from \$5.25)
- A “Cliff” applies at 1.05% of exemption- total estate subject to tax
 - Use marital, charitable deductions in drafting to avoid the cliff
 - Tax on \$5,740,000= \$0.00
 - Tax on \$6,027,000= \$514,040!!!
- 3 year throwback rule eliminated
 - Death-bed gifts again possible

TAX PLANNING

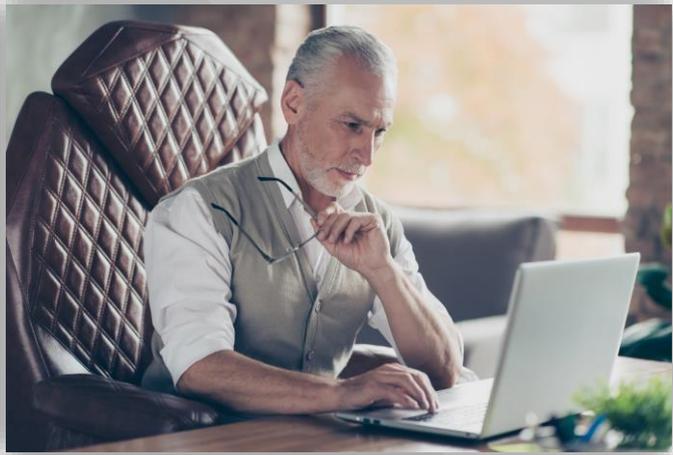
- Tax planning has shifted from Estate, Gift and GST to income tax (deferral and deductions) and capital gains (preserve basis step-up)



WHO ARE YOUR CLIENTS?



WHO ARE WE PLANNING FOR?



- Net Worth above \$11m - GRAT's, QPRT's, GRIT's, ILIT's, SLAT's, Sale to IDGT, CRT, CLT, etc.
- Net Worth \$5m-11m (N.Y.) – AIB Trusts, ILIT's, Gifting Trusts
- Net Worth below \$5m – Non Tax Planning

REVOCABLE TRUSTS

Trust-centered plans are **better for clients**

- **Reduce risk**
- **Provide long-range solutions**
- **Reduce overall costs**

Can make your work as an advisor **easier**,
while **enhancing your revenue**

CLIENT ADVANTAGES

- It can act as a disability plan

Revocable trusts provide protection during three phases:

- ▶ When the trustmaker is alive and well;
- ▶ When the trustmaker is alive but not well;
- ▶ When the trustmaker dies

It's during the second phase that the trust really outshines a will – **if the trustmaker becomes incapacitated, the disability trustee can step in and take care of things immediately and without court intervention.**

This keeps the trust property under control of a trusted family member or friend instead of a guardianship judge

CLIENT ADVANTAGES

- A Trust keeps assets outside of probate

A Will only takes effect after death, and even then it still must go through probate- a costly and timely process. Disadvantages of probate include:

- Executor's Fees
- Attorney's Fees
- Estate Taxes
- Court Costs
- Administrative Costs
- Will Contests
- Delays
- Loss of Privacy
- Loss of Benefits
- Accountant's Fees
- Appraisal Fees
- **Assets Tied Up – NO ACCESS**



Probate takes from several months to several years!

ADVISOR BENEFITS

Revocable trusts help you faithfully implement your investment and distribution strategies

- Custodians freeze accounts owned individually by a decedent, which can complicate your asset management process
- But revocable trusts with co-trustees or successor trustees can be managed seamlessly, **without the need to open another account and transfer assets**

Revocable trusts simplify management of illiquid alternative assets

- Especially true of real estate, private equity, and private debt
- If these investments are spread across multiple states, **a revocable trust also avoids opening probate in each jurisdiction**

Revocable Trusts help gather AUM.

ADVISOR BENEFITS

Revocable trusts reduce paralysis or rash changes during times of grief

- Grieving surviving spouses often either suffer decision-making paralysis or opt for wholesale investment strategy changes
- Lighten clients' decision-making load during a stressful time, and help them avoid rash changes instigated by new account and transfer paperwork

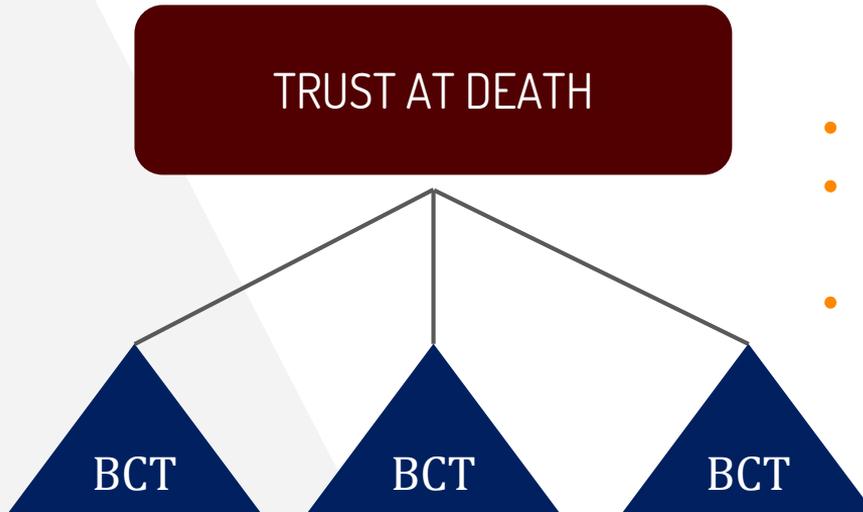
By Helping Surviving Clients Avoid Rash Changes, You Add Tax Alpha

- While all the assets in some revocable trusts may enjoy a step-up in basis, in many cases those notionally owned by the surviving spouse will not
- If their basis is low and a surviving spouse opts for a wholesale sell-off- may lead to unnecessarily large capital gains taxes

Issue: We worked and saved, and when we die we want our family's wealth protected from divorcing spouses, law suits, bankruptcy and Medicaid

Solution: Beneficiary Controlled Trusts

BENEFICIARY CONTROLLED TRUSTS



- Child can be trustee = Control
- Can use assets for themselves and grandchildren
- Guarantees the family's legacy- assets stay in the bloodline.

Continuity: AUM never leave your account – simply divide into BCT's – retention.

FASTEST GROWING ASSET CLASS = IRAs

- “Private” pensions subject to RMDs
- Death of the participant = loss of accounts
- Severe tax consequences due to beneficiary issues
- How can you protect the IRA, save taxes and keep the account?



STAND ALONE RETIREMENT TRUST

What is a Standalone Retirement Trust (SRT)? How can discussing SRTs help you?

- Trust created solely to accept retirement assets
- Qualifies as “see through trust” – designated beneficiary
 - Maximizes the “stretch” by allowing the calculation of RMD based on life expectancy of beneficiary
- Conduit vs. accumulation options
 - Conduit trust: requires RMD to be paid to the beneficiary
 - Accumulation trust: permits trustee to accumulate or distribute RMD at its discretion - Provides greater flexibility in making distributions (Special Needs Trust, spendthrift, etc.)
- Trust protector
 - Flexibility to make subsequent changes to the trust based on changing tax laws and beneficiary needs

STAND ALONE RETIREMENT TRUST

Clark v. Rameker

- Unanimous 2014 Supreme Court Decision
- Found that that funds in an inherited IRA are not considered “retirement funds”, and thus are not exempt from the debtor’s bankruptcy estate.
- Result: A debtor’s bankruptcy trustee may consider the inherited IRA to be an asset of the bankruptcy estate, and therefore available to satisfy creditors’ claims.

WHY A STANDALONE RETIREMENT TRUST

- Ability to use each beneficiary's life expectancy for RMD
- Switch on and off certain beneficiary protection features if circumstances change between trust creation and death of the grantor
- Ability to treat beneficiaries differently
- Creditor protection is a common need
 - Bankruptcy filings (hundreds of thousands are filed each year)
 - Lawsuits & creditor claims (millions of civil lawsuits filed each year)
 - Child's divorce (50% of all marriages end in divorce)
- Retain Control and Protect Beneficiaries
 - Second marriage
 - Underage or disabled children
 - Spendthrift beneficiary (gambling, exotic vacations, fast cars, and more)



PLANNING OPPORTUNITIES

- Contact clients to review assets and beneficiary designations
 - You can determine whether additional accounts are not yet under your management
 - Spotting and correcting a vulnerability increases client confidence
- Discuss the benefits of standalone retirement trusts with clients:
 - Protection against irresponsible spending by beneficiaries
 - Protection of Special Needs Beneficiaries
 - Protection from creditors, bankruptcy courts, and judgments
 - Protection against divorce courts
 - Protection against probate, guardianship, or conservatorship court control
 - Flexible “post-mortem planning” opportunities that are not readily available with traditional beneficiary form planning

CHANGING LANDSCAPE

- Baby Boomers began turning 65 in 2011 at the rate of 10,000 per day (Now turning 73)
- Persons over 65 today= **40 million**
- By 2050, the U.S. Census Bureau predicts there will be **86.7 million citizens age 65 and older living in the U.S.** – 21% of the total population
- 1 in 5 Adults is a Caregiver of an older American
- Average net worth of older Americans in \$232,000

CHANGING LANDSCAPE

- The Society of Actuaries recently released mortality tables showing increased longevity for 65 year-olds:
- 65 Year Old Males = 21.6 yrs. to age 86.6 (up from 19.6 yrs; 10.4% increase)
- 65 Year Old Females = 23.8 yrs. To age 88.8 (up from 21.4 yrs; 11.3% increase)

Are your clients prepared to face longevity and the challenges of living into their 80's, 90's and 100's?

MOST CAN 'T AFFORD CARE

Cost of Care – Capital District

\$13,000/ month x 12 months = \$156,000/ year

Stay at Home Spouse Needs

\$4,000/ month x 12 months = \$48,000/year

TOTAL:

\$204,000/ year

Social Security

\$ —

Pension Income

\$ —

Income from investments (@4%)

\$ —



**Most would need \$5m
to \$6m to “self-insure”
in New York**

KEY QUESTIONS TO ASK CLIENTS

If you need long-term care...

- **Where** would you want to live?
- **Who** would take care of you?
- **How** would you pay for it:

Self-Insuring

**Private LTC
Insurance**

Medicaid

EMPOWERMENT STRATEGY

“IMPOVERISHMENT”

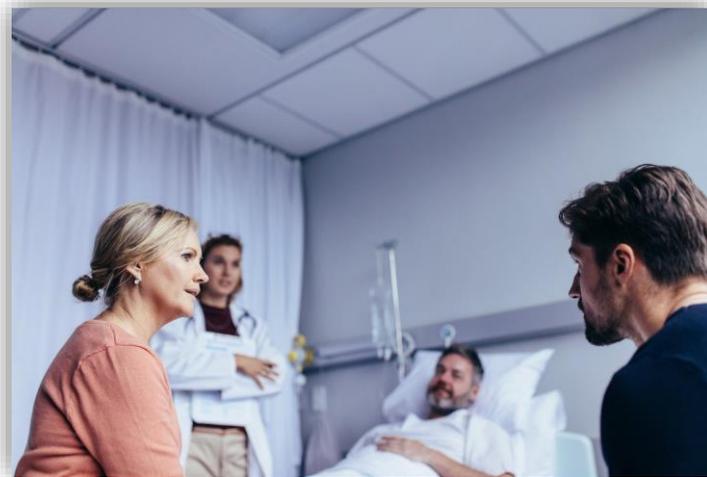
strategy

“EMPOWERMENT”

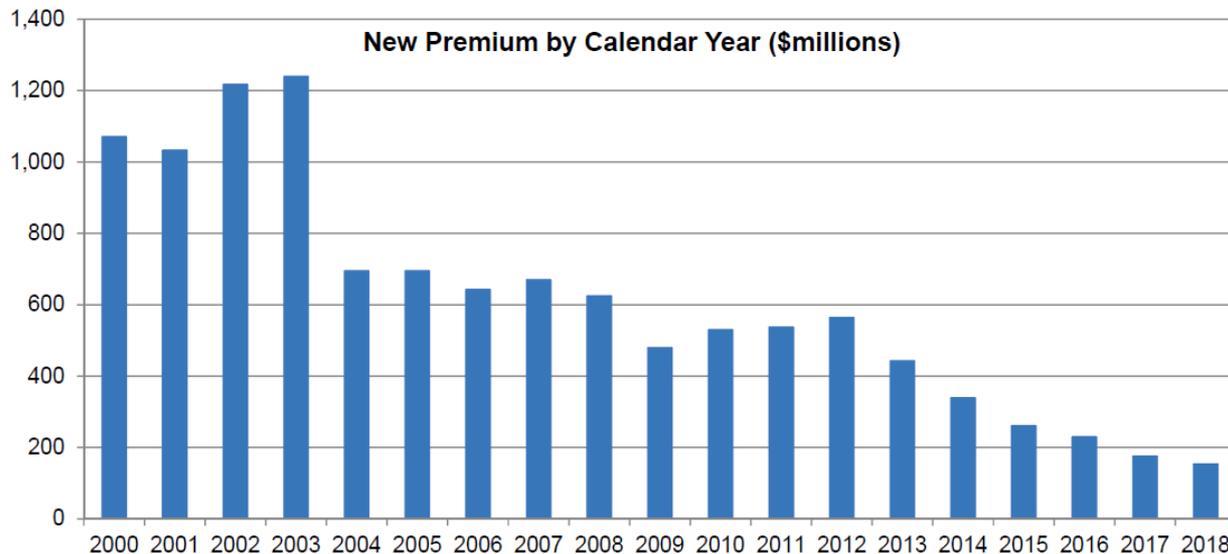
strategy

INSURING LONG-TERM CARE RISKS

- Best way to fund costs of long-term care
- Variety of Products:
 - Traditional LTC Insurance
 - NYS Partnership
 - LTC/ Life Hybrid
 - Traditional Life with LTC or Chronic Illness Rider



STAND-ALONE LTCI SALES



- Prior to 2004, Stand-alone LTCI was a high-growth segment of the insurance industry.
- Rate increases, followed by rate stability regulation led to contraction in distribution and a general decline in sales.

Sources: 2001-2014 Broker World Surveys and LIMRASurveys

Pierro, Connor & Strauss, LLC

STAND-ALONE LTCI MARKET LEADERS

With the exception of three carriers, stand-alone LTCI sales are on track to decrease for the market leaders in 2018

(\$millions of premium)

	2017	2018
Mutual of Omaha	47.0	46.8
Northwestern Mutual	43.5	34.6
New York Life	14.1	16.6
Thrivent	11.2	11.8
Transamerica	17.0	11.2
Bankers Life & Casualty	10.03	10.8
MassMutual	8.7	7.6
Genworth	7.1	6.6
State Farm	4.0	4.0
Knights of Columbus	3.2	2.6
TOTAL INDUSTRY	176	154

Source: LIMRA

STAND-ALONE LTCI CHALLENGES

Emerging environmental factors that were unforeseen in pricing adversely affected stand-alone LTCI profitability and sales...

- Low interest rates → 8% became 3%
- Low lapse rates → 5% became 1%
- Increasing longevity → 5 to 10 year increase in lifespans
- Evolving care delivery → Emergence of assisted living facilities
- Regulatory uncertainty → Political not actuarial
- Carrier exits → 100+ to about 10
- Distribution contraction → 20k+ became ~2k
- Wary consumers → Smart buy to risky buy

WHAT IF LTCI IS NOT AVAILABLE?

- Asset Protection for Seniors (aka “Proactive Planning”)
- You already have estate planning clients who need it
- You already understand how trusts work
- Insurance will not be an option for many clients
 - Insurability
 - Affordability
- Communicate the need to your clients and offer a solution

MEDICAID ASSET PROTECTION TRUST

CLIENTS

ASSETS



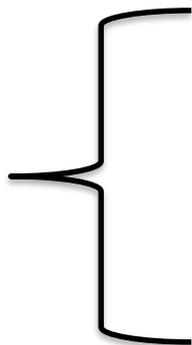
INCOME



- Trustee – manages trust assets
- Beneficiaries – income & principal
- Client – income for life and rights to use real and personal property
- Heirs = Remaindermen - inherit when trust ends

MEDICAID ASSET PROTECTION TRUST

Home
Bank Accounts
Stocks & Bonds
Annuities
Life Insurance
Business
Real Estate



MAPT

- Income can be paid or accumulated
- Principal can NOT be given back to the Grantor directly
- Principal can be paid to children or others (who can use it for *any* purpose)

MEDICAID ASSET PROTECTION TRUST

KEEP OUT

Cash

Bank Acct.

IRA, 401(k)

Security Features

- Power to change Trustee
- Power to change beneficiaries
- Can revoke under NY Law with consents

MEDICAID ASSET PROTECTION TRUST

Tax Benefits

- No Gift Tax
- Keep Senior Citizen and Veteran's Exemptions
- Income Still Taxed to Grantor (Lower Rates)
- Exclude Up to \$250,000 of Gain on Sale of Residence (2x for married couple)
- Heirs receive a full step-up in basis

MAPT/LTCi COMBINED “PLANNING”

- Using LTCi/ MAPT Combination Plans to “bridge” the 5 year lookback
- Partnership Policies = Medicaid Asset Protection
MAPT gives same result, for 100% of the assets
- Enjoy the Flexibility of LTC Insurance = Any Policy
Home Care & Assisted Living Coverage
Keep Income
Choice of Providers
- With the Protection of Medicaid Asset Protection = MAPT

$$2 + 2 = 5$$

COMBO LTCI PRODUCTS

- Often a rider that can be attached to any type of permanent life product
- The insured can accelerate (receive an advance payment from) all or a portion of the death benefit
- Must meet benefit eligibility requirements
 - Generally the same as U.S. tax requirements to qualify for LTC expense
 - Unable to perform 2 activities of daily living or a severe cognitive impairment

COMBO LTCI PRODUCTS

- A small percentage (2% - 4%) of the death benefit is available per month until the death benefit is exhausted
 - Sometimes a residual death benefit is payable if the scheduled death benefit is use up
- Extension of benefits option: more than the policy's death benefit is available for LTC
 - Two or three times the death benefit are the most common options
- "Chronic illness" variant:
 - Not regulated as LTC and cannot be marketed as LTC
 - Agents are not required to have LTC sales training
 - Cannot have an extension of benefits option

COMBO LTCI PRODUCT APPEAL

CUSTOMERS

- **Easy to understand:** Access to a pot of money (death benefit)
- **Cost effective:** Add-on premiums are generally less than stand-alone
- **Immediate value:** Death benefits and equity build up via the life insurance cash value

CARRIERS

- **Mitigated risks:**
 - Exposure limited to life policy net amount at risk
 - Insured's equity in base coverage acts like a "co-pay"
 - Low mortality offsets life insurance risk
- **Easy to distribute:**
 - "Add on" the base policy sale; can be sold by broad distribution
 - Decreased regulatory, reserve and capital requirements

APPEAL OF PRODUCT TYPES BY CONSUMER SEGMENT

Demographics:

- Standalone product purchase correlates with assets.
- More affluent tend to buy single premium combo products with “lazy money”
- Consumers over age 55 are less interested in recurring premium combo products because they have all of the life insurance they want.
- Without prompting, most consumers do not plan to address LTC planning until age 55.
- Consumers under 55 are more interested in combo products because they solve other immediate needs (life insurance, saving element).

APPEAL OF PRODUCT TYPES BY CONSUMER SEGMENT

Product preference is more correlated with the type of advisor used than demographics

- LTC specialists favor stand-alone for the best leverage of premium dollars.
- Financial advisors favor combos, with asset-based advisors favoring single premium.
- Life insurance agents favor simple riders on life policies, particularly chronic illness, as an up-sale on the life policy, which is the primary focus.
- Genworth Survey, 2017

COMBO LTCI SALES LEADERS (2017)

Company	Channels	New Premium (\$millions)
Lincoln National	IA, BD, RIA, Banks	\$1.075
Pacific Life	IA, BD	\$687
OneAmerica	IA	\$472
Midland	IA	\$280
Penn Mutual	IA, CA	\$227
Great West	Banks	\$186
Nationwide	BD	\$184
MassMutual	CA	\$160
New York Life	CA	\$138
Transamerica	IA	\$132
Other		\$575
TOTAL:		\$4.116

IA: Independent agents that sell for multiple carriers.

CA: Career agents: agents that primarily sell the products of one carrier.

BD: Broker dealers: financial advisors that are licensed to sell securities

RIA: Registered investment advisors

About 70% of premium (11% of policies) written was single premium

OPTIMIZING INSURANCE + ASSET PROTECTION PLANS

- Trust plan to protect insurance benefit
- Must be an indemnity policy
- Combine with MAPT to create “Partnership”
- Create access, choice, flexibility and assurance

PARENTAL PROTECTION TRUST

- Third-Party Supplemental Needs Trust (with a twist)
- Irrevocable
- Multiple trustmakers—the children
- Multiple beneficiaries—the parents



PARENTAL PROTECTION TRUST

- Grantor trust as to the children
- Children retain proportional limited powers of appointment
- Terminates when last lifetime beneficiary dies
- Reverts to children or their trusts

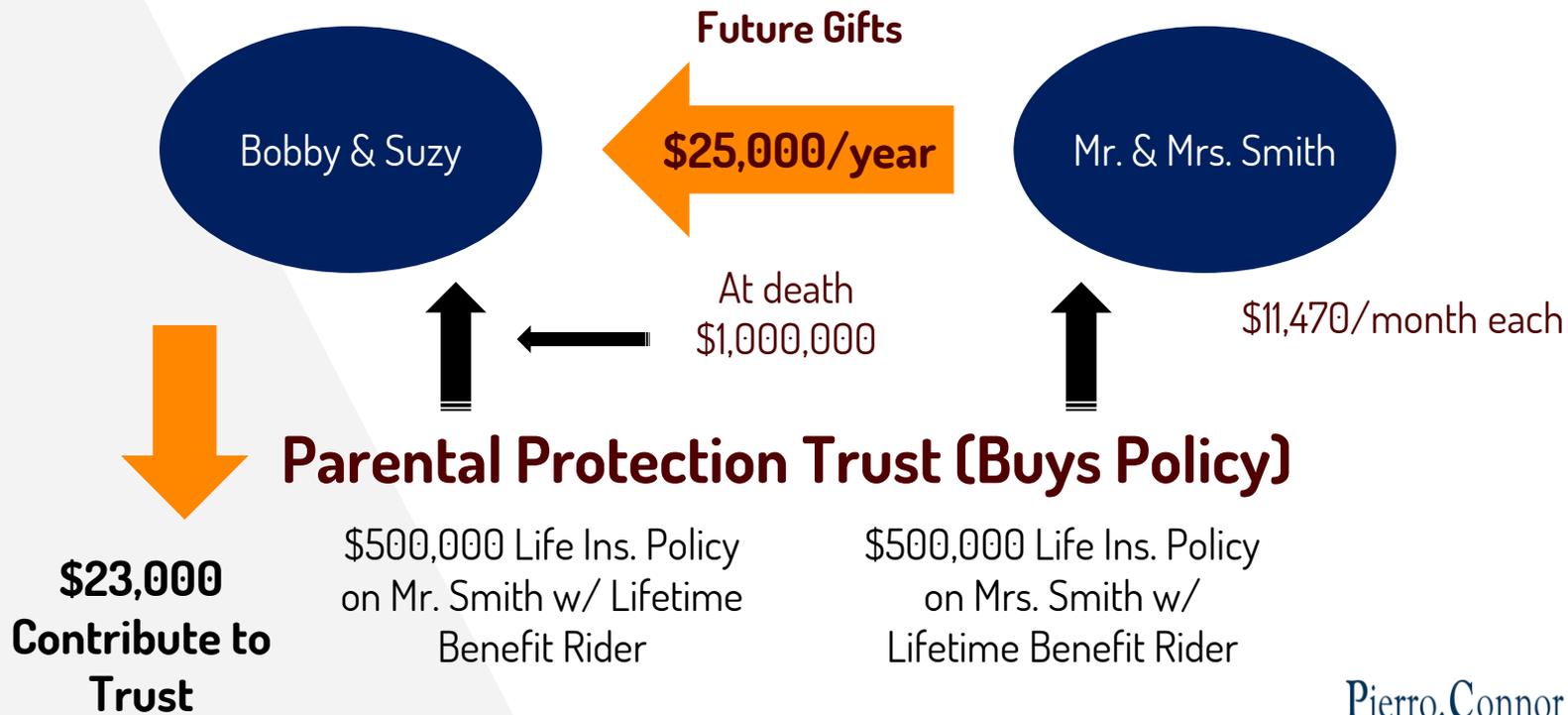


PARENTAL PROTECTION TRUST

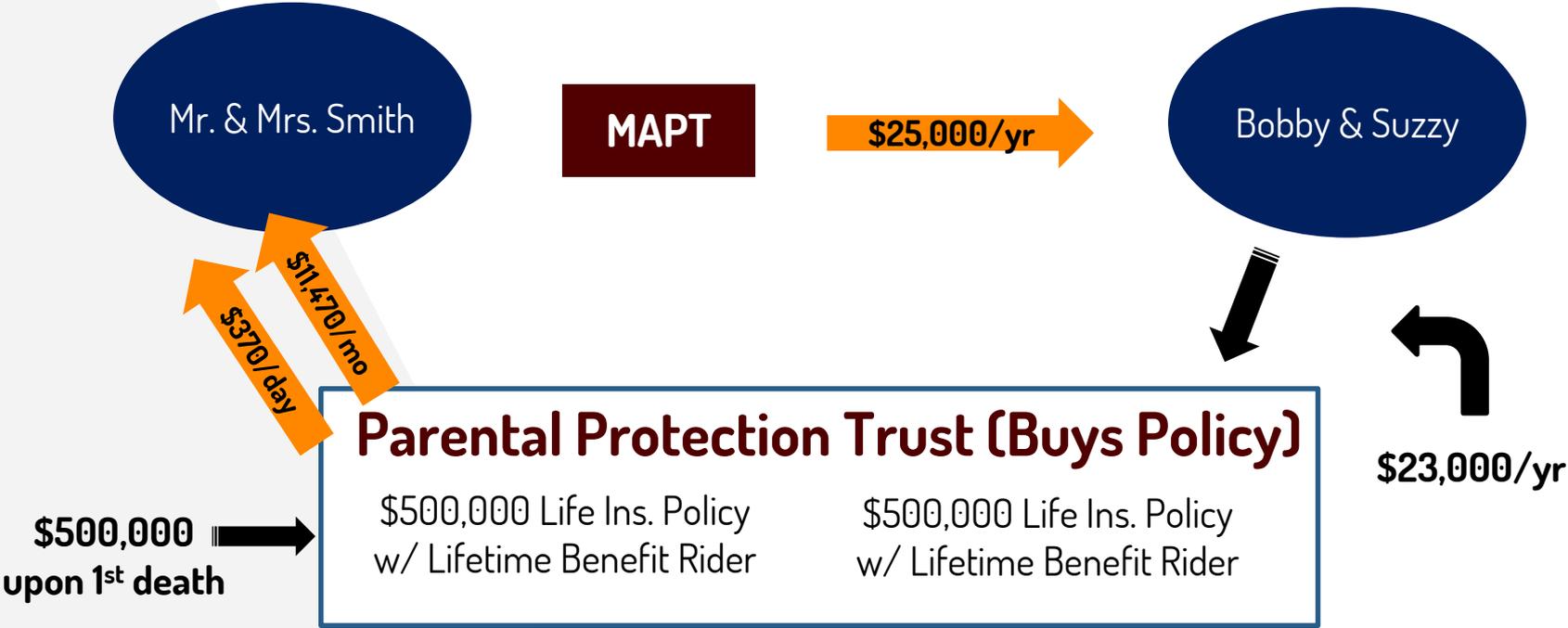
Tax Considerations:

- All income is taxed to the beneficiaries (the children) in proportional shares
- Transfers to the trust are incomplete gifts for gift-tax purposes
- Life-insurance proceeds are not included in parent's estate
- Life-insurance proceeds are not subject to income tax
- LTC benefit, if triggered, is payed to the trust (indemnity policy)
- Parents can still qualify for Medicaid, if desired

PARENTAL PROTECTION TRUST



PARENTAL PROTECTION TRUST WITH MAPT



Trust Box

CURRENT CARE LANDSCAPE

Who

- Recipients: Silent Generation
- Informal caregivers: Baby Boomers
- Formal caregivers: Generation X

Generational dynamic:

- Silently accept how things are
- Do not want to burden children
- They have busy, mobile children
- Social isolation
- Low tech health system

Where:

- Home
- Assisted living facilities
- Nursing homes



EVERHOME CARE ADVISORS

ASSESS

- Comprehensive in-home assessment
- Review of goals, concerns, medical history, care needs
- Assessment of financial resources, insurance and legal planning documents
- Determination of Medicaid eligibility or affordable care options
- Development of personalized care plan



EVERHOME CARE ADVISORS

IMPLEMENT



- Implementation of care plan
- Guidance through selection of care and resources
- Medicaid advocacy and asset protection planning
- Coordination of the caregiver hiring
- Supervision, training of home care technology powered by VivaLynx
- Plan review to ensure success

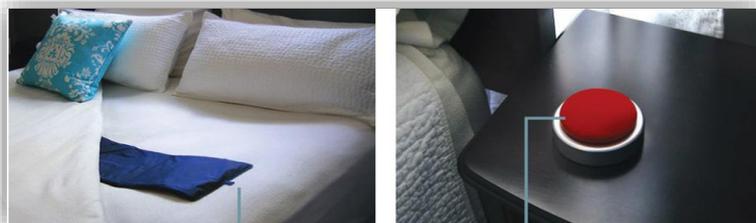
EVERHOME CARE ADVISORS

MONITOR

- 24/7 use of technology to track real time health and financial data
- Monitors daily activities and respond to alerts
- Information sharing among family members, caregivers and providers
- Updating of personal care plan to meet changing needs
- Support for transition to other levels of care, if needed



TECHNOLOGY



CREATING SUCCESS

Skate to where the puck is going to find:

- Income to confidently maintain your lifestyle
- Professional satisfaction from thought leadership
- Personal freedom from leveraged products + services
- Retirement value from your business for you and your family

Thank You!

Questions?



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