Some things you need to know

• This presentation was not intended by the author to be used, and cannot be used, by anybody for the purpose of avoiding any penalties that may be imposed on you pursuant to the Internal Revenue Code. The information contained herein was prepared to support the promotion, marketing and/or sale of life insurance contracts, annuity contracts and/or other products and services provided by Nationwide Life Insurance Company.

• Federal tax laws are complex and subject to change. Neither the company nor its representatives give legal or tax advice. Please talk with your attorney or tax advisor for answers to your specific questions.

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Some things you need to know

- Nationwide products and services are not suitable for all clients and/or situations, and there may be Non-Nationwide products that better suit your clients’ goals. Furthermore, you should consider all of your clients’ objectives and needs, including cash flow and liquidity needs, as well as overall risk tolerance when using any strategy.

- As your clients’ personal situations change (i.e., marriage, birth of a child or job promotion), so will their life insurance needs. Care should be taken to ensure these strategies and products are suitable for long-term life insurance needs. You should weigh your clients’ objectives, time horizon and risk tolerance as well as any associated costs before investing. Also, be aware that market volatility can lead to the possibility of the need for additional premium in the policy. Variable life insurance has fees and charges associated with it that include costs of insurance that vary with such characteristics of the insured as gender, health and age, underlying fund charges and expenses, and additional charges for riders that customize a policy to fit your clients’ individual needs.

- The underlying investment options to a variable annuity or life insurance product are not publicly traded mutual funds and are not available directly for purchase by the general public. They are only available through variable annuity/variable life insurance policies issued by life insurance companies.
Some things you need to know

- This information assumes that the life insurance is not a modified endowment contract, or MEC. As long as the contract meets the non-MEC definitions of IRC Section 7702A, most distributions are taxed on a first-in/first-out basis. Surrender charges may apply to partial surrenders. Loans and partial surrenders from a MEC will generally be taxable, and if taken prior to age 59 ½, may be subject to a 10% tax penalty. Loans and partial surrenders will reduce the cash value and the death benefits payable to your beneficiaries, and withdrawals above the available free amount will incur the surrender charges. If your contract were to lapse with a loan outstanding, the loan amount in excess of basis will be treated as a distribution and all or a portion will be subject to income tax.

- Life insurance is issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio, member of Nationwide Financial®. The general distributor for variable insurance products is Nationwide Investment Services Corporation, member FINRA. © 2011, Nationwide Financial Services. All rights reserved.

- Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution• Not insured by any federal government agency • May lose value
Long Term Care

• Long Term Care coverage is offered as a rider on most permanent life insurance policies offered by Nationwide. Keep in mind that the client may not qualify for life insurance and thus, would not currently have the opportunity for long term care coverage with Nationwide.

• Keep in mind that as an acceleration of the death benefit, the LTC rider payout will reduce both the death benefit and cash surrender values. Care should be taken to make sure that your clients' life insurance needs continue to be met even if the rider pays out in full. There is no guarantee that the rider will cover the entire cost for all of the insured's long-term care as these vary with the needs of each insured.
Agenda

• Long-term Care:
  – The need
  – Client perceptions and LTC reality
  – The cost
  – The dilemma

• Nationwide’s LTC Cost Calculator Tool
• The Nationwide LTC Product Solutions
• LTC Funding Strategies and Case Studies
Protecting assets

1 out of 1200\(^1\)
Chances of losing a home to fire:

7 out of 10
Americans over age 65 will need some form of long-term care\(^2\)

\(^1\) LTC Tree – “Long Term Care Insurance Pros and Cons” - February, 2013.
America is underinsured for LTC

Less than 8% of Americans have purchased LTC\(^1\)

Only 11% of adults age 55 and older have LTC coverage in place

\(^1\) Longtermcare.gov-Department of Health and Human Services, December 2012

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Client Perceptions Of Long-term Care

- “I won’t need it”
- “Expensive”
- “Other obligations”
- “The government pays for it”
- “Loss of premium”
- “Complicated”
- “Skeptical”

- The wrong opening will kill the discussion
- Avoid the term “long-term care” in the beginning
How Claims Begin and End

- Claims expected to quadruple from 2012 to 2032\(^2\)
- Length of claims are increasing\(^3\)
  - A claim lasting at least 1 year will average 3.9
  - 15% of claims will last 5 years or longer\(^3\)
  - in the late 90’s the figure was 5%\(^4\)

\(^1\)American Association for Long-term Care Insurance (AALTCI) 2012-2013 Sourcebook
\(^2\)Insurance News Net – “Long Term Care Claims Expected to Quadruple in 20 Years, Aug. 5, 2013
\(^3\)Navigo – Long Term Care Insurance Statistics: June 2013 Update, June 30, 2013
\(^4\)Source - NCPC- National Care Planning Council – October 2012
The Cost of Long-term Care

- **Nursing Home Private**
  - $230 per day
  - $83,950 per year
  - $251,850 for a 3 year claim

- **Nursing Home Semi-Private**
  - $207 per day
  - $75,405 per year
  - $226,215 for a 3 year claim

- **Assisted Living**
  - $3450 per month
  - $41,400 per year
  - $124,200 for a 3 year claim

- Average cost of a home in 2013: $196,3002

1 Genworth 2013 Cost of Care Survey

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The Cost of Long-term Care

Home Health Care
- Averages $19 per hour\(^1\)
- Annual Cost - $44,479\(^2\)
- 3.9 year claim = $173,468

Adult Day Care
- Averages $65 per day\(^1\)
- Annual Cost - $16,900\(^3\)
- 3.9 year claim = $65,910

\(^1\) Genworth 2013 Cost of Care Survey
\(^2\) Based on 44 hrs a week, 52 weeks a year
\(^3\) Based on 5 days a week, 52 weeks a year
Typical LTC Buyer

- Age 55-64
- Married with Adult Children, Homeowner
- White collar profession, not yet retired
- Owns life insurance, conservative investments
- Household income of $100,000 or more
- Have experienced LTC challenges with a relative

Source: Consumer Study - “Understanding Long-Term Care Buyers, May 2013"
Top Reasons People Buy LTC

- Protect Assets
- Avoid burdening loved ones
- Have a choice of where care is received
- Remain as independent as possible
- Remain in and receive care in their own home

Source: American Association for Long-term Care Insurance (AALTCI) 2012 Sourcebook
Women and long-term care

More likely to purchase LTC

- Women\(^1\)
- Twice as likely to purchase LTCi than men\(^2\)
- Purchase more of hybrid LTC solutions\(^2\)

More Claims

- Women comprise 67% of LTC claims\(^2\)
- Women comprise 70% of the LTC benefit dollars\(^2\)
- Twice the incidence of HHC and NH Claims\(^2\)

Longer Claims

- Women are twice as likely to exceed a 3 year claim\(^4\)
- Women need care 1.7 times longer than men\(^7\)

Caregivers

- Women comprise 75% of informal unpaid caregivers\(^4\)
- Women lose average of $565,000 in lost wages/benefits\(^5\)
- 60% of spouses providing care will pre-decease patient\(^6\)

---

What are the options for funding long-term care needs?

• LTC client misconceptions
  – **Self-insure:** For the wealthy, and should they self-insure?
  – **Medicaid:** For the impoverished, not the general public
  – **Medicare:** Only covers up to 100 days and requires substantial co-pay after 20 days
  – **Health insurance:** Does not cover LTC expenses

• LTC solutions that insures the risk
  – Long-term care stand alone policy
  – Long-term care with life insurance – Linked Benefit LTC
  – Life insurance with a LTC rider/Chronic Illness Rider
Nationwide Can Help with Long-term Care Planning Estimates

Clients may be at a loss on where to start. What are typical client questions?

- “When will I need care?”
- “How much will it cost?”
- “Is there a way to estimate the rising cost of care?”

Nationwide can help with a LTC Assessment

- Estimates age care will be needed.
- Provides cost estimates for:
  - Home Health Care, Assisted Living, and Nursing Home
- Includes inflation estimations
Long-term Care Cost Assessment

Considerations include:

• Current health condition of client
• Geographical location
• Historical LTC inflation factors
Long-term Care Cost Assessment

The client, John, is estimated to need LTC services at age 79

The spouse, Jane, is estimated to need LTC services at age 88

Jane’s total for a 3 year claim –

Home Health Care = $180,404
Assisted Living = $437,211
Nursing Home = $717,135

Should you need long-term care, it is projected to begin around age 79 in 2033.

<table>
<thead>
<tr>
<th>Client</th>
<th>Home Health Care</th>
<th>Assisted Living Facility</th>
<th>Nursing Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Cost Today</td>
<td>$44,616</td>
<td>$48,600</td>
<td>$76,650</td>
</tr>
<tr>
<td>Projected Inflation Rate*</td>
<td>1.0%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Projected Annual Cost at Claim</td>
<td>$54,440</td>
<td>$102,393</td>
<td>$167,950</td>
</tr>
</tbody>
</table>

Should you need long-term care, it is projected to begin around age 88 in 2042.

<table>
<thead>
<tr>
<th>Partner</th>
<th>Home Health Care</th>
<th>Assisted Living Facility</th>
<th>Nursing Home Care</th>
</tr>
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</tr>
<tr>
<td>Projected Annual Cost at Claim</td>
<td>$60,136</td>
<td>$145,737</td>
<td>$239,045</td>
</tr>
</tbody>
</table>

Annual Long-term Care Costs*

- Home Health Care
- Assisted Living Facility
- Nursing Home Care

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Product Solutions from Nationwide to meet Client’s LTC Concerns
An alternative solution from Nationwide - Life Insurance with LTC Rider

An alternative solution is Nationwide’s Long-term Care rider:

– LTC benefit paid tax free as accelerated death benefit
– Death benefit provides pool of money
  • Someone receives money as LTC and/or death benefit
– Cash value
– Some contracts are guaranteed for life of insured
– LTC benefit reduces death benefit dollar for dollar
Qualifying for a LTC Benefit

Licensed Health Care Practitioner must certify either:

• Cognitive impairment
  – includes Alzheimer’s and dementia
  OR

• Two ADLs impaired
  – Unable to perform 2 or more of activities of daily living:
    • Bathing, dressing, continence, eating, toileting, transferring

• One-time 90-day elimination period
  – May be met over a 730 day time period
What benefit will client receive?

• LTC benefit is lesser of:
  – 2% per month of death benefit/rider amount OR
  – Daily per diem rate in the given year of claim established by HIPAA, times days in the month
    • 2013 per diem rate = $330/day

• Example of a claim in 2013:
  
  $600K life insurance with $600K LTC rider
  
  Benefit is lesser of:
  
  2% per month of LTC amount - $12,000 per month
  OR
  
  HIPAA per diem of $330/day x 30 days in month = $9,900
  (or $10,230 in a 31 day month)

  In this case, client would receive $9,900/ in a 30 day month

  Benefit lasts at least 4 years & 2 months*

Note: the 2014 per diem amount allowed by Health Insurance Portability and Accountability Act is $330 per day.
*Assuming no loans or withdrawals have been taken prior to collecting LTC benefit.
What is covered?

• Covered benefits include:
  – Nursing home
  – Home health care
  – Assisted living
  – Adult day care
  – Hospice
  – Any other state certified LTC service

• Indemnity-style plan
  – Benefit paid to owner of contract
  – Direct payment – no receipts!
    • No monthly verification of billable services needed
Other features

• Issue ages 21-80 on most products
• Lapse Protection Provision
• Tax-free benefits (even on a MEC)
• Guaranteed minimum death benefit (not available in NY, or VI)
• Benefits may be payable outside US
• Available on most Nationwide permanent individual life insurance policies (not available in all states)
LTC and Chronic Illness Riders Differ

• **LTC riders qualified under 7702(B)**
  - Can be marketed as a long-term care product
  - Pays benefits for temporary as well as permanent conditions
  - LTC Riders usually offer possibility of an excess residual death benefit (per state approval)
  - Some states have an 8 hours CE requirement

• **Accelerated death benefit for chronic illness riders – 101(G)**
  - Can NOT be marketed as long-term care coverage
  - Temporary conditions are generally not eligible for claim; Must be non-recoverable
  - Has no excess residual death benefit
  - May require a percentage or monetary amount to remain untapped to provide a final death benefit
Long-Term Care Funding Strategies and Hypothetical Case Studies

The following case studies are hypothetical and are not meant to portray a particular client or client situation. Life insurance death benefits used in these hypothetical situations are subject to the claims paying ability of the issuing company.
Funding strategies for long-term care

Premium to pay for Long-term Care coverage can come from a variety of sources

| Annuities not needed for retirement | • Systematic withdrawal  
| • Annuitize |
|---|---|
| IRA Accounts | • Required Minimum Distributions |
| Unneeded cash in savings | • Lump sum  
| • Annual pay |
Self-insure vs. Life Insurance with LTC Rider

Re-purposing an Annuity
$100,000 annuity
$68,000 cost basis

1. Female, age 60
   Fixed Annuity
   Current Value
   $100,000

2. 7 year Term Certain
   $14,452 per year

3. Net annual income after taxes
   $13,031

4. Life Insurance
   Death Benefit
   $267,330
   Long-term Care Rider
   $267,330

5. LTC Annual Benefit
   $64,159
   LTC Monthly Benefit
   $5,347

Illustration based on female, 60 years old, non-tobacco preferred, using Nationwide YourLife Guaranteed No Lapse Universal Life Insurance. Interest rate is a guaranteed 3%.

Annuity income and Life Insurance premium are both paid on an annual basis. Death Benefit could be higher or lower depending on life insurance product used.
Self-insure vs. Life Insurance with LTC Rider

Repurposing a Certificate of Deposit

$200,000

Current Assets
In 28 years (age 93)

$599,741
Minus taxes on interest
Minus capital gains taxes
Minus tax owed on annuity gain
Assets go through probate

Life Insurance
Today

$603,730 or more
Plus long-term care rider
Plus no tax on growth
Plus no federal income tax to beneficiary
Plus no probate

Illustration based on female, 65 years old, non-tobacco preferred. Interest rate on certificate of deposit is assumed at an annual rate of return of 4%. Death benefit could be higher or lower depending on life insurance product used.
## Self-insure vs. Life Insurance with LTC Rider

### Repurposing a Certificate of Deposit

<table>
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Illustration based on female, 65 years old, non-tobacco preferred. Interest rate on certificate of deposit is assumed at an annual rate of return of 4%. Death benefit could be higher or lower depending on life insurance product used.
Indexed UL - Planning for today and the future

Amber, a 47 year old female* – needs family protection now, has LTC concerns due to family experience, and desire to enhance legacy to beneficiaries

Amber estimates LTC expenses and wants to insure for $600,000

Use Nationwide YourLife® Indexed UL with a Long-Term Care Rider for potential cash value growth and flexibility should client’s current goals change in the future

$600,000 life insurance with LTC Rider

• Value Today: $600,000
• Annual premium – pay to age 67 (assuming adequate CV growth)
• No tax on any cash value growth
• Provides family protection today
• LTC protection now or in the future
• $12,000 per month LTC benefit (or HIPAA cap if less)
• Potentially preserves and/or enhances legacy to heirs
• No federal income tax to beneficiary

* Amber is 47 years old, female and rated non-tobacco preferred. Product used is Nationwide YourLife Indexed Universal Life insurance with 20 planned annual premium payments. Crediting rate is 6.25% using monthly averaging. Death Benefit could be higher or lower depending on life insurance product used……** Based on Nationwide Health Care and LTC Calculator Tool

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Questions?
What if you could have a product that:

• re-positions an asset to provide:
  - a LTC benefit pool 3 to 8 times premium for most*
  - a death benefit more than premium paid
  - a full return of premium feature
  - full indemnity monthly LTC benefits

• turns an expense into an asset
• provides guaranteed LTC benefits for a given premium

The solution:

Nationwide YourLife CareMatters℠
CareMatters℠ Key Features

• **Full Return of Premium**
• **Indemnity-style Benefits**
• **20% Guaranteed Minimum Residual death benefit**
• **Informal Caregivers allowed – family, friends**
• **Optional Benefit Banking available**
  • International Benefits (subject to additional requirements)
  • Guaranteed Cash Value is never lower than premiums paid
• **Inflation protection option – 3% simple, 5% compound**
• **Issue ages 40–75**
• **Claims — 90-day elimination period**
• **Lapse protection**
Nationwide YourLife CareMatters℠ - How it Works

- Return of Premium
- 1st benefit pool is accelerated first
- 2nd benefit pool is for LTC benefits only
- Total LTC benefit is total of both pools
- DB at least 20% of Specified DB Amt.

*Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes: a 55-year-old female, couple rate, non-tobacco, 6-year benefit duration, and no inflation option.

Premium ROP feature
$100,000

2-year benefit
Death Benefit and/or LTC Rider
$173,479

4-year benefit
Extension of Benefits Rider LTC Only
$346,959

Total benefit
6 years
Total Available for Long-term Care Benefits
$520,438

Residual DB 20%
$34,696
What the Policy Owner Receives

Pay $100,000 into your policy as part of your financial portfolio

Coverage if you need long-term care

For you

$520,439
LONG-TERM CARE COVERAGE

For your heirs

$34,696 DEATH BENEFIT

If all benefits are collected, total = $555,134

Options if you don’t need long-term care

For you

$173,480
Specified amount PAID TO YOUR HEIRS

Money back option

$100,000 Plus any growth RETURNED TO YOU

*Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes a 55-year-old female, couple rate, non-tobacco, 6-year benefit duration, no inflation option.
How CareMatters℠ works for the Affluent

Self Insuring

Keep $100,000 in your financial portfolio to pay for Long-term care

If you need LTC

Pay the first $100,000 for Long-term care expenses from this asset

then

Use more of your own money to pay for additional LTC bills

Placing Asset with CareMatters℠

Pay $100,000

$520,439 of LTC
Remains part of your financial portfolio

If you need LTC

First $100,000
Use your own money for LTC benefits

then

Nationwide’s pays monthly LTC benefits up to an additional $420,439

For your heirs $34,696 DEATH BENEFIT

*Stated benefit amounts are based on hypothetical examples, actual benefit amounts received may vary. This example assumes a 55-year-old female, couple rate, non-tobacco, 6-year benefit duration, no inflation option.
Advisors can help increase client awareness of:

- The need for Long-term care
- The impact lack of planning can have financially and on families
- Limitations of state, federal and other programs

Long-term care planning

- Preserves assets and helps increase the chances of a successful retirement plan
- At younger ages is less expensive and more likely insurable

Nationwide can help with

- LTC calculator tool
- Indemnity LTC coverage on life insurance
Questions?

Independent Dealer: 1-800-321-6064
Financial Institutions: 1-800-893-5399
Wirehouse/Regionals: 1-800-720-1511
Nationwide Agents: 1-888-333-4202
Nationwide Financial Network: 1-877-223-0795
BGA: 1-888-767-7373