FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT

AUGUST 2020

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President’s Message

What a year we have had!

We can all admit that this year has been a strange one! Never in my wildest dreams would I be working from home full time, my child going to school virtually for three months, and that we had to cancel our FEPCMD quarterly meeting and annual golf outing in May. At the beginning of this year, we had a robust calendar filled with in-person quarterly meetings with wonderful speakers, lunch-and-learns and fun events scheduled. And then, in March, we were forced to curtail all of our in-person programming, taking the necessary steps to protect the health and welfare of our members. And what have I learned throughout this most unusual year? I have discovered just how strong, stable, flexible and resilient the FEPCMD is! Let me highlight a few of the reasons why:

1. The FEPCMD board governed as you would expect from this superb group of individuals. This pandemic had the board rearranging in-person programming to Webex presentations, making sure our members and sponsors were engaged and of course, focusing on the present and future while making sure that we stay true to our mission. I am truly indebted to the board for their advice and positive attitude every step of the way as some tough decisions needed to be made.
2. A huge thank you to our Sponsors! Even though we could not foresee the pandemic, we wanted to make sure that our sponsors continued to value the benefits of supporting the FEPCMD. Therefore, we have showcased 2-3 sponsors each month via email to our members to encourage networking opportunities.
3. FEPCMD is and remains financially secure, thanks to the stewardship of our past and current leadership.
4. Membership remains steady. Members continue to value the benefit of belonging to one of the best councils in the country.
5. Our Planning Committee (led by Jeff Hoenle) organized and oversaw web-based programs so that our members continued to be engaged. Thanks especially to Jeff's extensive connection circle, we continue to provide our council with virtual learning education opportunities through Webex presentations.

I could go on and highlight many other ways in which the FEPCMD embraced the circumstances and proved its strengths. For me, it has been an honor and privilege to serve as President of the FEPCMD these past months. I have often wondered whether I have had the easiest presidency or the hardest, but in reality, it has been a most rewarding year so far. FEPCMD functions successfully, both in normal times and now in unusual times, because of the commitment and teamwork of our professionals, members, and sponsors.

I look forward to seeing everyone as soon as we can do so safely. Stay well.

Sally Vaughn, CTFA

President

Special Educational Event Invitation

Michigan Auto Insurance Reform:

What You Need to Know

Michigan no-fault reform took effect for policies new and renewing after July 1st, 2020. This presentation will discuss how the new Michigan legislation sheds light on asset protection. We'll discuss:

- New Order of Priority emphasizes the need to examine how medical coverage will apply;
- Revised threshold for lawsuits highlights the significance of appropriate liability limits;
- Options on medical limits stress the importance of having proper coverage;
- Rate reductions provide relief to Michigan drivers; and
- Potential claims scenarios and how the new legislation applies in the real world.

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RATHBUN INSURANCE

Ben joined The Rathbun Agency as a business and personal insurance agent after working in the home office claims department at Auto Owners Insurance Company throughout college. He became a partner in 2019. Ben graduated from Michigan State University with a degree in finance and has a Master's in Business Administration in Risk Management & Insurance from Olivet College. He holds the Chartered Property Casualty Underwriter (CPCU), Certified Authority on Workers Compensation (CAWC), and Total Quality Agency (TQA) designations.

He lives in Lansing, MI and is very involved in many community organizations. Ben is a Support Group Facilitator and Community Board Member at Ele's Place, a healing center for grieving children and teens. He also serves the Michigan Association of Insurance Agents as Chair of the Young Agents Council and Chair of the Political Action Committee. Ben claims to make the best bruschetta and enjoys playing his baby grand piano.

Two Dates:

Wednesday September 9 11am Eastern & Tuesday September 15 3pm Eastern

Register at the following web-address:

https://apegcommunity.teachable.com/p/mi

Considerations for Individuals and Closely Held Business Owners Resulting from the "CARES Act"

James Revels, Tracey Stone, Robert Keller,
Sabrina Stimel

The recently enacted Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") contains a number of important tax-related provisions. This article summarizes some of these provisions and also highlights a few planning considerations which are particularly relevant to individual taxpayers and owners of closely held businesses in the current environment. There continues to be further clarification to many areas of the CARES Act. Taking that into consideration, this article does not at times highlight additional clarification that may be available at time of printing.

Temporary Repeal of the Excess Business Loss Limitation

The CARES Act amended the excess business loss limitation regime under section 461(l) to have applicability for any tax years beginning after December 31, 2020, and before January 1, 2026. Prior to the amendment, the regime was applicable for any tax years beginning after December 31, 2017, and before January 1, 2026. Accordingly, the CARES Act amendment to section 461(l) effectively repeals the provision retroactively for tax years beginning prior to January 1, 2021. This impacts calendar years 2018, 2019, and 2020.

This temporary repeal of section 461(l) creates the potential for several different opportunities for individual taxpayers to access a refund of cash or pay a reduced tax liability in the future. In the near term, for taxpayers who may have been impacted by section 461(l) for 2018 or 2019 (or both), the retroactive repeal may allow for greater losses to flow through the taxpayer's return for those years, even though such losses occurred prior to the economic downturn. The repeal of the provision likewise creates opportunities for taxpayers to utilize losses from the recent economic downturn.

The repeal of the excess business loss regime may also result in the possibility of increased net operating losses ("NOLs") for the tax year, and may therefore also result in the possibility of increasing the amount of losses available for the taxpayer to carry back to a prior year (as discussed more fully in the section below). In some cases, this may include the possibility of carrying back a loss to a tax year prior to January 1, 2018, in which the taxpayer may have maintained a higher effective tax rate (i.e., when the highest marginal rate was still 39.6%).

It is important to note that in the case of a taxpayer with a loss limited under section 461(l) for the 2018 tax year (or for the 2019 tax year if a return has already been filed, and if the return can no longer be superseded), the retroactive repeal requires a taxpayer to amend their return to access a refund. It is important to also note that the failure to amend the taxpayer's return in situations where the excess business loss otherwise would have been utilized against non-business income of the taxpayer may result in the potential loss of the taxpayer's section 461(l) NOL carryforward in a subsequent year.

The repeal of section 461(l) was also coupled with a few technical corrections to the Tax Cuts and Jobs Act (the "TCJA"), some of which are outside of the scope of this article. However, a quick summary of these changes is provided below. The section 461(l) calculation now excludes items which are attributable to the trade or business of performing services as an employee. In addition, NOL deductions under section 172 and qualified business income deductions under section 199A would not be taken into account in determining excess business losses.

Section 461(l) has also been amended to provide that deductions for losses from the sale or exchange of capital assets would not be taken into account in increasing a section 461(l) limitation. Certain gains from the sale or exchange of capital assets may continue to be taken into account in reducing a potential section 461(l) limitation. Unfortunately, the technical corrections to the statute did not address whether a capital gain on the sale of a partnership interest or S corporation stock could be considered attributable to the taxpayer's trade or business. It should also be noted there are current provisions in the Heroes Act recently passed by the House of Representatives that contain provisions that would reverse these aforementioned changes.

Net Operating Loss Changes

The TCJA generally eliminated the carryback of NOLs (except for certain farm losses). However, the CARES Act grants taxpayers (including individual taxpayers) a five-year carryback period for NOLs arising in tax years beginning after December 31, 2017, and before January 1, 2021 (i.e., tax years 2018, 2019, and 2020).

The CARES Act also temporarily suspends the TCJA-imposed 80% of taxable income limitation on the use of NOLs for tax years beginning before January 1, 2021 (again, implicating tax years 2018, 2019, and 2020). For tax years beginning after December 31, 2020, the CARES Act re-imposes the 80% limitation with respect to the use of post- TCJA NOLs (i.e., NOLs arising in tax years beginning after December 31, 2017), with two significant changes. First, incorporating a technical correction to the TCJA, the CARES Act determines taxable income for purposes of the 80% limitation after giving effect to the use of pre-2018 NOLs. Second, taxable income is determined without giving effect to the deductions for qualified business income, foreign-derived intangible income (FDII), and global intangible low tax income (GILTI) under sections 199A and 250.

Taxpayers are allowed to elect out of the five-year carryback rule, with the election being irrevocable. Procedurally, for NOLs arising in tax years beginning in 2018 and 2019, the election to forego the five-year carryback period would be required to be made by the due date (as extended) for filing the first tax return for the tax year ending after the date of enactment (i.e., with the 2020 tax return for calendar year filers), and for NOLs arising in a tax year beginning in 2020, by the due date (as extended) for the return for that year.

It is important to consider the character and rates of income in years prior and subsequent to a loss year before making the irrevocable decision to carryback an NOL or to forego the carryback.

Modification of Limitations on Charitable Contributions during 2020

The CARES Act enhances a taxpayer's ability to take a deduction for charitable contributions. Individuals who itemize their deductions can deduct up to 100% (as compared to 60%) of their adjusted gross income for certain cash contributions. For corporations, the 10% of taxable income limit is increased to 25%. To obtain this increased limitation, the contribution must be made in cash in 2020 to a public charity or certain foundations described in section 170(b)(1)(A). Donations to non-operating private foundations, supporting organizations, or donor advised funds do not qualify for this increased deduction amount.

Allowance of Partial Above-the-Line Deduction for Charitable Contributions

The CARES Act allows individual taxpayers who do not itemize their deductions the ability to deduct up to $300 of cash contributions made to a public charity or certain foundations described in section 170(b)(1)(A) during 2020. Most notably, contributions to non-operating private foundations, supporting organizations, and donor advised funds do not qualify for this deduction.

Special Rules for Use of Retirement Funds

The CARES Act waives the 10% early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts for coronavirus-related purposes from January 1, 2020, until December 30, 2020. Income attributable to such distributions will be subject to tax over a period of three years. The taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. The provision provides flexibility for loans from certain retirement plans for coronavirus-related purposes.

A coronavirus-related distribution is a distribution made to an individual:

- Who is diagnosed with COVID-19
- Whose spouse or dependent is diagnosed with COVID-19, or
- Who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

The CARES Act also increases the amount an individual can borrow from their qualified retirement plan from $50,000 to $100,000 and also delays any 2020 loan repayment due date by one year or 180 days from the date of enactment, whichever is later.

Temporary Waiver of Required Minimum Distribution Rules for Certain Retirement Plans and Accounts

The CARES Act waives the required minimum distribution requirements for certain taxpayers for calendar year 2020. The waiver would generally apply to required minimum distributions from:

- A defined contribution plan described in section 401(a) or in section 403(a) or 403(b)
- A defined contribution plan which is an eligible deferred compensation plan described in section 457(b), but only if such plan is maintained by an employee described in section 457(e)(1)(A), or
- An individual retirement plan.

Delay of Payment of Employer Payroll Taxes

The CARES Act allows employers and self-employed individuals to defer payment of the employer share (6.2%) of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. This relief is effective for 2020 payments due after March 27, 2020. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021, and the other half by December 31, 2022.

The CARES Act provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis.

The credit is available to employers whose operations were fully or partially suspended due to a COVID-19-related shut-down order, or whose gross receipts declined by more than 50% when compared to the same quarter in the prior year. Once the gross receipts return to 80% when compared to the same quarter in the prior year, the credit will no longer be available. The credit is not available if the employer also received a Small Business Interruption Loan. Careful consideration should be given to whether a business should claim this credit or obtain the loan (a portion of which may be forgivable).

The credit is based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID- 19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first $10,000 of compensation, including health benefits, paid to an eligible employee. All persons treated as a single employer under sections 52(a), 52(b), 414(m), or 414(o), would be considered one employer for these purposes.

The credit is provided for wages paid or incurred from March 13, 2020, through December 31, 2020.

Modification of Limitation on Business Interest

The CARES Act temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns from 30% to 50% of adjusted taxable income ("ATI") for 2019 and 2020. A taxpayer may elect to use 2019 ATI for purposes of calculating this limitation for the 2020 tax year.

For partnerships, the increased limit only applies for 2020 and not 2019. However, 50% of the partnership's 2019 excess business interest expense ("EBIE") will not be subject to the section 163(j) limitations (and will be automatically deductible by the partners in 2020), whereas the other 50% would still be subject to the section 163(j) limitations.

A partnership may elect out of the 50%-of-ATI provision in 2020. A partner may also elect out of the 50%- deduction-of-EBIE rule.

Technical Correction Regarding Qualified Improvement Property

The CARES Act includes a technical correction which would change the recovery life of qualified improvement property ("QIP") to 15 years under the general deprecation system, thereby making it eligible for bonus depreciation, retroactive to the enactment of the TCJA. This provision would allow for an immediate write-off of these costs instead of having to depreciate those improvements over the 39-year life of a commercial building. With the temporary repeal of the excess business loss regime under section 461(l) and the modification to allow for NOL carrybacks, this increased deprecation deduction may result in an immediate benefit to the taxpayer.

A real property trade or business that elected out of the interest limitations under section 163(j) is required to use the alternative depreciation system ("ADS") and cannot claim bonus depreciation. The ADS recovery period for QIP is now 20 years

If QIP was placed in service in 2018 and the 2019 return has not yet been filed, the taxpayer may correct the depreciation method with an amended return. Otherwise, an automatic accounting method change would need to be filed.

Other Disaster-Related Planning Considerations

Qualified Disaster Relief Payments

As a general rule, amounts provided by an employer to an employee are considered taxable compensation to the employee and a deductible business expense for the employer. However, when a federal "qualified disaster" has been declared, an employer may make "qualified disaster relief payments" ("QDRPs") to employees, and the assistance may be excluded from employee income under section 139 (while also being deductible to the employer). QDRPs can include reimbursements of certain reasonable and necessary expenses incurred as a result of a qualified disaster. For these purposes, a "qualified disaster" includes a disaster or emergency that the President has determined warrants assistance by the federal government, such as the coronavirus pandemic.

QDRPs do not include payments for expenses that are already being reimbursed by insurance (or otherwise) and generally do not include income replacement such as lost wages (see section 139(b)).

Qualified Disaster Losses

In addition to these emergency relief measures provided under the CARES Act, section 165(i) permits taxpayers to claim losses attributable to Presidentially declared disasters on the prior year's original or amended return. As such, a loss in 2020 can be claimed on the 2019 tax return.

Examples of such losses incurred in 2020 that may be treated as incurred in 2019 include, but are not limited to:

- Closure of store and facility locations
- Abandonment of leasehold improvements
- Permanent retirement of fixed assets

- Abandonment of pending business deals for which costs have been capitalized
- Disposal of inventory, supplies and other property that has become unsellable
- In certain circumstances, termination payments for executory supply or customer contracts, leases, or licenses
- Worthless securities (but not business bad debts)
- Impaired securities if the taxpayer uses the mark-to market method, and
- Loss from a sale or exchange of property.

The provision does not apply to ordinary and necessary deductible expenses under section 162(a), bad debts that are deductible under section 166, or net operating losses under section 172. Due to the requirement of a deductible loss under section 165(a), the provision only applies to the extent the taxpayer has remaining tax basis in an asset or capitalized intangible that can be written off.

With all of the above losses, it will be important to document causation (i.e., sufficient evidence that directly associates the loss with the COVID-19 disaster). Keep in mind, the amount of the loss could be affected by indemnification or insurance recovery.

The election to claim this loss must be made no later than six months after the original due date of the taxpayer's federal return for the year the loss is sustained (i.e., October 15, 2021, for calendar year taxpayers). Upon making the election, the taxpayer would be required to carryback all of its section 165 losses attributable to COVID-19. Revocation of the election can be made up to 90 days after the due date for making the election.

Estate Planning

For individuals whose assets may have temporarily declined in value due to the recent downturn in the markets caused by the COVID-19 disaster or otherwise, it may be an especially beneficial time to consider estate planning.

The availability of the enhanced lifetime exemption of $11.58 million had already made 2020 an ideal year to make gifts while minimizing exposure to federal transfer tax. Given the scheduled sunset of the doubled exemption at the end of 2025 and the possibility of a reduction in the exemption amount even earlier depending on the outcome of the 2020 elections, individuals were encouraged to consider using this benefit in the near term before it was lost.

Now, to the extent a taxpayer's assets may be somewhat undervalued, and in light of the extremely low-interest rate environment, the impetus for making gifts and establishing trusts is even greater. Transferring assets today, when they are lower in value than they are anticipated to be in the future, rather than holding those assets until death, can minimize estate and gift tax liability; this is because all future income and appreciation attributable to the transferred assets is removed from the taxable estate. In addition, interest rates are at historic lows. This is important because the success of a number of estate planning strategies (e.g., Sales to Intentionally Defective Grantor Trusts, Charitable Lead Annuity Trusts, Grantor Retained Annuity Trusts) depends on the performance of the gifted assets exceeding a specified interest rate benchmark. Thus, the current lower interest rates help maximize the amount of wealth an individual can transfer to younger generations without exposure to transfer tax.

Roth IRA Conversion

Given the fact that some investments may have declined in value as a result of COVID-19 and recent economic news, an individual taxpayer may want to consider converting a traditional individual retirement account ("IRA") into a Roth IRA. A conversion results in current taxation of any earnings/appreciation as ordinary income. A taxpayer may convert a portion or all of one or multiple accounts, but only a pro rata portion of the basis may be attributed to the amount converted and reduce taxable income accordingly. Thereafter, any earnings/appreciation in a Roth IRA can be distributed tax-free, and a Roth IRA is not subject to required minimum distributions as with a traditional IRA.

Jim is a Tax Partner in KPMG's Philadelphia and Pittsburgh Tax practice, supporting the North East region Private Enterprise Practice. He has more than 27 years of experience advising ultra-high net worth individuals, multi-generational families, family offices, executives, foreign individuals, early stage entities, foreign corporations closely held businesses and their owners in various industries, including private equity, real estate, financial, manufacturing, energy, distribution, manufacturing, chemical, cyber security, technology, and life sciences.

Long Term Care Planning

Michael C. DeFillipo, CLU, ChFC

A critical aspect of the financial planning process for long term care is determining how to allocate resources for what may be a significant future cost. According to the 2019 U.S Department of Health and Human Services (05/08/2019), nearly 70% of individuals over the age of 65 will require some type of long-term care during their lifetime. The average duration of care is 3 years, with 18% of all seniors requiring more than one year in a nursing home[1].

The Pennsylvania Health Care Association estimates that annual spending on long term care in the United States (excluding unpaid family care) has reached nearly $275 billion. Generally, health insurance does not cover these expenses, nor does Medicare (unless certain requirements are met through Medicare Part A for hospital service); Medicaid may provide some coverage, but only for individuals with very small countable assets. Roughly 23% of that $275 billion - $63 billion – is paid out-of-pocket.

For insurance purposes, Long Term Care (LTC) is defined as the loss of 2 of the 6 of the Activities of Daily Living (ADL) or cognitive impairment that requires substantial supervision. The ADLs are defined as:

• "Bathing" – washing oneself in either a tub or shower, including getting into and out of the tub or shower, or by sponge bath.

• "Continence" – ability to control one's bowel and/or bladder function, or the ability to perform associated personal hygiene (including caring for a catheter or colostomy bag) when unable to control one's bowel and/or bladder function.

• "Dressing" – putting on and taking off all items of clothing, and attaching any necessary braces, fasteners, or prosthesis.

• "Eating" – feeding oneself by getting food into the body from a receptacle (such as a plate, cup or table) or by a feeding tube or intravenously.

• "Toileting" – getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene.

• "Transferring" – means moving in and out of a bed, chair, or wheelchair.

The original form of protecting against long term care needs was self-insuring, either through portfolio assets or from the family structure. Over time, increased cost of care and the separation of generations within families put increased pressure on liquid assets to cover the cost of care until governmental programs become available. In addition, as we have seen with recent market events surrounding COVID-19, market fluctuations can force liquidation of assets at depressed valuations.

The individual LTC insurance marketplace started in the late 1970's and ramped up significantly in the late 1980's and early 1990's. The timing in the spike of traditional LTC policies coincided with a widening spread in the difference between the Medical Care CPI and Core CPI annual increase. Combined with the improvement in life expectancy – particularly in the mass affluent and affluent segment of the population, those who bought the insurance product – put pressure on these contracts. The impact of the early stage mispricing began to filter through to consumers in the late 1990's and early 2000's, as these policies were structured with non-guaranteed annual premiums. It was common to see annual price increases in excess of 30% in order to maintain coverage to support the liabilities of issuing companies.

In 1987, Lincoln Financial Group launched the first "hybrid" product, MoneyGuard. MoneyGuard is designed as a Modified Endowment Contract (MEC) universal life insurance policy with an LTC rider component build in. Though it is a life insurance policy, the policy is structured to provide long term care benefits, through a 2-year benefit period that can be increased through additional riders, much greater than the stated death benefit.

Unlike the previous traditional "stand alone" LTC insurance policies, the hybrid product provides a death benefit – the minimum amount allowable, but still something should the insured have the good fortune of living a long and healthy life and not needed. In addition, there is an equity component which, depending upon the desired tradeoff of lessening the potential LTC benefit, can be a full return of premium after the 10th policy year.

Since the innovation by Lincoln, several insurance carriers have replicated the hybrid product, including but not limited to Nationwide, Pacific Life, and Securian. OneAmerica adapted the universal life design to a Whole Life chassis. Each carrier added their own product differentiation, whether it be the difference between reimbursement or indemnity, the ability to extend a benefit period for lifetime and adding additional premium duration options (though the most common funding scenarios are single or 10-pays). The policies are guaranteed and fully paid once the original premium design is satisfied.

Underwriting is generally "pass / fail" based upon a personal health history interview and prescription check – some providers will offer various underwriting classes and may collect medical records for approval. For these policies, the focus is on morbidity rather than mortality.

The next phase of evolution in the LTC marketplace has been the proliferation of either Long Term Care or Chronic Illness Accelerated Benefit (CIAB) riders onto permanent insurance policies. Whereas the hybrid product is LTC first, the life insurance strategy is primarily death benefit focused with the ability to accelerate the death benefit for long term care needs. In our firm, we've begun to refer to this the "Bucket of Money" strategy … the death and potential long term care benefit come from the same source, either dollar-for-dollar or pro-rata depending upon the carrier and type of rider.

In general, the significant difference between the LTC and CIAB rider – from a product and positioning standpoint, not in terms of licensing or under which section of the Code allows for the benefits to be received income-tax free – is the type of underwriting at application and cost. True LTC riders are built into the scheduled premium and include morbidity underwriting along with traditional mortality underwriting. It is possible to have separate underwriting classes for the base life insurance policy and the rider – in our practice, we had an individual qualify for the best available life insurance rating but be denied the LTC rider due to a history of arthritis and orthopedic surgery.

In most cases, CIAB rider is not underwritten at the time of application and is not incorporated into the premium schedule. (As you can see, this is a good way to get some form of coverage for that individual with physical injury history which does not impact life expectancy.) In the event the rider is activated, there is a reduction of death benefit in the amount of claim, interest and mortality factors. Based on non-empirical observation, that total amount of death benefit that can be accelerated is 70-80% when the rider is used for insureds between Age 80-90.

Whether using the LTC or CIAB rider, we encourage our clients to seek guidance from their tax advisor on the potential income and gift tax consequences of using the rider for a policy owned by an Irrevocable Life Insurance Trust. Since the benefit is paid to the owner, in this case the Trust, based upon the condition of the insured, the challenge is to determine how the benefit goes from the Trust to insured, who is generally the Grantor. One solution is to determine whether or not an existing Trust contains language that enables the Grantor/Insured to access trust assets through a series of demand loans that are secured by property pledged by the Grantor/Insured, with interest payable at a fair market rate. In addition, there is a lack of guidance as to whether having a rider (elective or not) on a life insurance policy owned by an ILIT insuring the life of the Grantor could be deemed an implied agreement between the trust and the Grantor that he or she has retained a beneficial interest under Internal Revenue Code § 2036(a), regardless of whether the rider benefits are activated prior to death. As a matter of current best practice, we advise holding policies with LTC riders outside of the Trust.

Michael C. DeFillipo, CLU is a Partner of 1847 Private Client Group, in Conshohocken, PA.

1.
Pennsylvania Health Care Association https://www.phca.org/for-consumers/research-data/long-term-and-post-acute-care-trends-and-statistics

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