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*Licensed, not practicing.

An employer-funded long-term care plan

The ultimate tool to help your employees deal with the risks of long-term care: You can pay some or all of the costs of the long-term care policy.

This type of transaction is rare, but a long-term care (LTC) plan for employees, where the employer owns a *MoneyGuard*® or Lincoln Life policy with LTC rider, can accomplish this employee benefit, while also carrying a tax benefit for the employer.

How the LTC plan works

With the passage of HIPAA in 1996, business-owned qualified long-term care insurance was given favorable treatment as accident and health insurance. The LTC plan starts with the business owning a *MoneyGuard* or Lincoln Life policy with LTC rider. The premiums are generally deductible as a business expense for a corporation, but different rules may apply for LLC and self-employed individuals. However, when it comes to the LTC benefits as part of an employee's long-term care event, the benefits paid out are deductible to the business, and the benefits for qualified long-term care services are income tax-free to the employee, up to the per diem or reimbursement amount. Long-term care protection is especially attractive because it provides a tax-favorable option to protect employees.

Unlike many other employer-provided benefits subject to nondiscrimination (ERISA) rules, this strategy enables employers to carve out and create a class of select employees to offer long-term care insurance.

LTC plans for family businesses

An LTC plan can work well for closely held family businesses. An employer would use a category such as years of service, job title, compensation, or other criteria to create class and offer coverage. Often employers create a corporate resolution that spells out eligibility for the program.

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Long-term care employee plans are remarkably simple to implement. The following is a sample board resolution document for a business.

CORPORATE ASSET-BASED LONG-TERM CARE COVERAGE PLAN

BOARD MINUTES AND RESOLUTIONS

For attorney use only. These specimen board minutes and resolutions for corporate long-term care coverage for selected employees may be furnished to attorneys to illustrate matters ordinarily covered in such instruments. The actual preparation of corporate board minutes and resolutions is the responsibility of the corporation and its attorney. **All legal documents must be prepared only by a licensed attorney. All formalities required under applicable local law should be observed.**

WHEREAS, as the board of directors of [Corporation / Entity] has considered the benefits of providing long-term care coverage for certain of its [employees / officers] who may incur long-term care expenses, and

WHEREAS, the [Corporation / Entity] [intends to adopt / has adopted] a long-term care coverage plan using asset-based long-term care insurance policy(s) with such policy(s) specifying how said long-term income coverage shall be provided and administered, and

WHEREAS, the [Corporation / Entity] desires to obtain, or assist [employees / officers] in obtaining, an asset-based long-term insurance policy(s) to provide adequate funding for the provision of said benefits.

THEREFORE RESOLVED, that it is in the best interests of this [Corporation / Entity] to purchase, or assist [employees / officers] in purchasing, said insurance policy(s) on the lives of the following selected [employees / officers]:

[Specify Covered Individuals / Group / Position]

FURTHER RESOLVED, that the Secretary [or other duly authorized individual] is hereby empowered to take the necessary actions and to execute the appropriate documents to purchase, or assist [employees / officers] in purchasing, an asset-based long-term care insurance policy covering [employees / officers].

FURTHER RESOLVED, that the Secretary [or other duly authorized individual] is hereby empowered to pay premiums required for all insured benefits to aforementioned eligible individuals and, if [Corporation / Entity] owns such policy(s), to further allocate and pay from [Corporation / Entity] funds for any uninsured but covered long-term care expenses, all as set forth and further described in the policy(s) that are funding the plan.

FURTHER RESOLVED, that the [Corporation / Entity] reserves the right to amend the coverage at any time to include or exclude individuals from coverage as it is deemed suitable.

IN WITNESS WHEREOF, the undersigned [has / have] caused this Resolution to be executed this _____ day of _____, 20 ____.



Talk with your Lincoln representative about the benefits of an employer-funded long-term care plan.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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LCN-4504265-031122

PDF ADA 8/22 Z01

Order code: MG-ERLTC-FLI001



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