

Long-Term Care Investment Fund

“InvestaCare” helping people save for their long-term care needs

Core Member Organizations

- Aging and Disability Professionals Association of Wisconsin (ADPAW)
- Alzheimer's Association SE Wisconsin Chapter
- Wisconsin Adult Day Services Association (WADSA)
- Wisconsin Association of Area Agencies on Aging (W4A)
- Wisconsin Association of Benefit Specialists (WABS)
- Wisconsin Association of Nutrition Directors (WAND)
- Wisconsin Association of Senior Centers (WASC)
- Wisconsin Institute for Healthy Aging (WIHA)

The Wisconsin Aging Advocacy Network is a collaborative group of individuals and associations working with and for Wisconsin's older adults to shape public policy to improve their quality of life.

WAAN State Issue Brief
July 2016

WAAN's Position: Develop a tax-advantaged state long-term care investment fund to help people plan and prepare for future long-term care needs.

The Need for a Tax-Advantaged Long-Term Care (LTC) Investment Fund

People want to plan for the financial impact of long-term care needs. Those with low to moderate incomes may not be able to afford most long-term care insurance premiums and related costs. Developing an account like a dedicated 529 provides individuals the opportunity to build a reserve fund for long-term care in place of long-term care insurance.

Many long-term care insurance policies become increasingly expensive as premiums continue to rise the longer the policy is in place. Policyholders are forced to pay higher costs, reduce their policy benefits to lower premiums, or drop their policies altogether.

Often insurance policies have exemption clauses and complex eligibility provisions, making it hard for some people to even get insurance. For example, a common requirement is a three-month nursing home stay prior to the policy going into effect. In addition, current information indicates that because future expenses and services are hard to predict, many insurance companies will no longer offer long-term care policies.

Purpose of a LTC Investment Fund

The LTC Investment Fund would be a savings vehicle for individuals who want to create a fund to cover their long-term care needs. The option of a designated 529 account for long-term care would be the preferred option over a 401(k) which is tied to employment or a medical savings account that has limitations as to who can make contributions.

Individual market sales of long-term insurance peaked at 750,000 in 2002 and were at the lowest figure in a quarter-century at 110,000 in 2015.

InvestaCare Fund Recommendations

Account Holders

Suggested eligibility requirements include:

- Wisconsin residency (individual or couple)
- 18 years or older
- Have a Social Security number and/or hold a United States green card

Contributions

Contributions to an account should be permitted by the account holder(s), a relative, friend, company, or a party known to and approved by the account holder.

Advantages

Account holders should be able to contribute to the fund as they are able. They should have the authority to control their funds by determining when and where the funds would be spent (within the fund policy eligible services and items). Without concerns about the unknowns of insurance premium costs, account holders would have a better ability to budget for future overall living costs.

Tax benefits of this fund should reflect 529 IRS program tax guidelines—which would make the account an attractive investment.

Should an account holder have a balance upon death, the balance could be used for outstanding medical costs and/or funeral expenses. Extra funds could then pass to the account holder's beneficiaries for their own personal LTC investment fund.

Oversight

The Wisconsin administration should appoint an agency/board to set policies and govern the program. A well-vetted financial management company could then be appointed to oversee the management of the funds.

Wisconsin as a Pioneer

Current information indicates that Wisconsin would be a pioneer in offering a 529 long-term care investment fund to its residents. If successful in Wisconsin, it is hoped the program could become available nationally.

Account holders would have a better ability to budget for their future overall living costs.



Contact WAAN

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