

A Tax Incentive for Businesses
Business Tax Long-Term Care Insurance



MEET ABC COMPANY

ABC Company is a Sub Chapter S company with three owners who have an average income of \$400,000. The company also employs two executive managers with an average income of \$160,000 as well as 45 other support staff with an average income of \$65,000.

ABC Company wants to take advantage of the tax advantages of offering LTCI while also providing an added benefit to employees and their families.

LTCI BENEFIT

Of all the employees at ABC Company, the following individuals opt into the LTCI benefit:

3 owners and their partners
(10-pay premiums)

TOTAL PREMIUM:

\$54,531

2 executive managers and their spouses
(10-pay premiums)

TOTAL PREMIUM:

\$7,961

15 support staff and 14 of their spouses

TOTAL PREMIUM:

\$29,777

COMPANY TAX DEDUCTION FOR PREMIUM:

Employees (100% deductible):

\$55,697

DEDUCTED ANNUALLY

2% owners (10-pay premium):

\$54,531

TOTAL PREMIUM ANNUALLY

TAX BENEFIT EXAMPLE

One of the owners, Ken (age 57), and his wife, Ellen (age 53), purchased the LTCI benefit. Based on their income, the couple has a federal tax rate of 37% and a state tax rate of 7.65% for a total of 44.65%.



\$

Combined Premium: \$20,137.71

Tax Savings: – \$8,991.49

Annual Net Premium: \$11,146.22

\$

Annual Net Premium: \$11,146.22

Premium Period: x 10

**Total Net Premium: \$111,462.20
over 10 years**

AT AGE 80

At age 80, at 3% compound inflation, the total benefit for Ken and Ellen is \$755,078.00 (tax-free). ABC Company was able to deduct the premiums paid on Ken and Ellen's behalf as well as on the behalf of the other staff and spouses who opted into the company's LTCI benefit.

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