
Convert deferred annuities into long-term care coverage: OneAmerica

By Editorial Staff *Fri, Mar 16, 2018*

People who don't plan to use their deferred annuities for lifetime income should consider using exchanging their contracts for a hybrid annuity with a long-term care rider, an issuer of those hybrids suggests.

Owners of deferred annuities may be overlooking an opportunity to apply their annuity assets to long-term care expenses, a release from OneAmerica said this week.

About 18% of U.S. households own a deferred annuity, but not many annuity owners are expected to convert them to monthly income, according to estimates by the LIMRA Secure Retirement Institute.

"Americans have nearly \$3 trillion in assets in fixed and variable annuities," said Chris Coudret, vice president and chief distribution officer at OneAmerica, an Indianapolis-based financial services firm.

OneAmerica suggests that those who don't plan to use their deferred annuity contracts for lifetime income should consider using a 1035 exchange to transfer their annuity assets to a hybrid annuity with a long-term care rider. That may be more efficient than letting the annuity assets pass to a beneficiary through a taxable death benefit.

The American Association for Long-Term Care Insurance has published a "Guide to Long-Term Care Planning Using 1035 Exchanges" that shows annuity owners how to use money from their contracts to pay long-term care expenses without incurring income taxes on the withdrawals.

The Pension Protection Act of 2006, the guide says, enables income tax-free withdrawals from specific annuity contracts that pay for qualifying LTC expenses or LTC insurance premiums. These include fixed interest annuities with LTC benefits, which OneAmerica offers.

These hybrid annuities provide tax deferral and non-LTC liquidity, while offering a guaranteed payout benefit and the option for lifetime LTC benefits. Policyholders who die before exhausting their LTC benefits can pass the difference to a beneficiary. Contracts can be purchased for a single person or shared between two people.

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