



Living Care[®] Annuity

IDENTIFYING YOUR RISK BOUNDARIES

WORKBOOK



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What are risk boundaries?

Risk boundaries are exactly where you want to “fence out” financial risks to your retirement plan. How a risk boundary is built is based on your beliefs about retirement risks and your preferences for dealing with them. It’s important to examine these closely.

What can identifying your risk boundaries help you do?

Identifying your risk boundaries and discussing them with your United of Omaha Life Insurance Company agent can help you create a retirement plan that supports your near-term and long-term goals.

Risk boundaries can also help you:

- Protect your overall retirement plan assets if you live many years in retirement
- Set constraints on the amount of risk you’re willing to allow into your overall retirement plan
- Determine what allowable limits you’d like to place on your tax obligations
- Conserve your retirement savings in the event you need long-term care
- Preserve your legacy wishes

Understanding Long-Term Care Risks

Long-term care risks can present significant consequences to your retirement assets, spouse/family members, and choice of care options. Through two simple exercises, this workbook helps you begin to learn more about long-term care risks and identify boundaries that may reduce or eliminate their impact on your overall retirement plan.

Exercise 1:

What is important to you?

If you require long-term care at some point during your retirement, what choices, assets, relationships, and/or estate plans do you want to protect?

Rate each by circling a corresponding level of importance for it.

- 1.** Living in my home as long as I possibly can.
Very Important | Somewhat Important | Not Important
- 2.** Receiving care from paid caregivers instead of my family.
Very Important | Somewhat Important | Not Important
- 3.** Protecting my child(ren) and/or other family members from the emotional and financial effects of informal caregiving.
Very Important | Somewhat Important | Not Important
- 4.** Conserving the value of my overall retirement plan if I need to pay long-term care expenses.
Very Important | Somewhat Important | Not Important
- 5.** Preserving a certain amount of money to leave as inheritance.
Very Important | Somewhat Important | Not Important
- 6.** Having options besides a nursing home if I need long-term care.
Very Important | Somewhat Important | Not Important
- 7.** Talking with my spouse and/or children about my long-term care wishes and decisions.
Very Important | Somewhat Important | Not Important



Exercise 2:

What are your assumptions about long-term care?

What current assumptions or attitudes about long-term care risks are keeping you from making a plan to address them?

To help you examine your assumptions about long-term care risks, circle your answer, true or false, to the following statements.

1. Of people turning age 65 today, more than half will need some form of long-term care during retirement. True | False
2. If you need long-term care, Medicare or Medicaid covers all the expenses. True | False
3. If you think you have enough money to self-fund your potential long-term care expenses, you do not need to consider long-term care insurance. True | False
4. Informal caregiving is often handled by spouses or family members. True | False
5. Nursing home care is the only long-term care option. True | False
6. Health care insurance often covers long-term care expenses. True | False
7. The average amount of time an individual receives long-term care services is one year. True | False
8. The national average annual cost of a private room in a nursing home in 2006 was \$75,000. True | False



Exercise 2:

Answers to Questions 1-8

1. True

Two-thirds (69%) of people age 65 today will need some long-term care.* Long-term care can encompass a variety of services and supports to meet your health or personal needs for an extended period of time. Most long-term care involves assistance for everyday Activities of Daily Living (ADLs), such as bathing, dressing, using the toilet, incontinence care, transferring, and eating.

2. False

Many people mistakenly believe that Medicare or Medicaid will pay for a majority of their long-term care expenses. However, Medicare only pays for medically necessary home health care or care in a skilled nursing facility. It does not pay for support services such as assistance with ADLs. Medicaid, on the other hand, is a State and Federal government program that pays for certain health services and nursing home care with eligibility based on your income and personal resources.

3. False

While self-funding is an option, drawing income for everyday living and covering long-term care expenses can quickly deplete your savings. The chart below shows how \$500,000 in retirement plan assets can be depleted when long-term care expenses are self-funded.

	Assets at Beginning of Year	Net Interest Earnings	Income Needs	LTC Expenses	Assets at End of Year
Year 1	\$500,000	\$26,618	-\$30,000	-\$75,000	\$421,618
Year 2	\$421,618	\$21,765	-\$30,900	-\$78,750	\$333,733
Year 3	\$333,733	\$16,335	-\$31,827	-\$82,688	\$235,554
Year 4	\$235,554	\$10,281	-\$32,782	-\$86,822	\$126,231
Year 5	\$126,231	\$3,550	-\$33,765	-\$91,163	\$4,853
Year 6	\$4,853	Depleted	Depleted	Depleted	Depleted

This is a hypothetical example used for illustration purposes only. It assumes net interest earnings after tax of 6%, inflation of 3% per year, and increase of LTC expenses of 5% per year. These hypothetical expenses may not be representative of the costs you may incur.

*Houser, Ari, "Long-Term Care Fact Sheet," AARP Public Policy Institute, 2007

4. True

Many times, long-term care is provided informally by unpaid friends and family. According to the AARP Public Policy Institute, friends who provide informal care often incur direct costs as well as lost wages and benefits. "About half of family caregivers contribute financially, an average of \$200 per month. Among caregivers with the most intense level of responsibility – 40 or more hours of care per week and helping with two or more activities of daily living – nearly all report major changes in their working patterns and 35 percent gave up work entirely."*

6. False

Most health insurance plans do not cover long-term care expenses.

8. True

In 2006, the national average private pay cost of care in a nursing home was about \$75,000 per year for a private room and \$67,000 per year for a shared room.*

5. False

Long-term care can be delivered in a number of ways:

- Services at your home from a nurse, home health/home care aide, therapist, or eligible homemaker
- Care in the community
- Care in any of a variety of long-term care facilities

7. False

The average amount of time that a person needs long-term care is about three years. However, because women tend to live longer, they are more likely to need long-term care for a longer amount of time: 3.7 years for women versus 2.2 years for men. Roughly 20 percent of people will need long-term care for 5 years or more.*



What are your options for setting long-term care risk boundaries?

You can't control the future, but you can set limits, or boundaries, on the risks you're willing to allow into your retirement plan.

Your United of Omaha agent can help you:

- Assess your personal long-term care risks and care preferences
- Plan ahead to help preserve your assets, protect your family, and ensure your choice of care options
- Discover strategies for including long-term care in your overall retirement plan



It's never too early to identify and set long-term care risk boundaries.

When you're considering your options, it's important to work with a company that's committed to long-term care solutions. It's also important to look for an insurance company that is stable and financially sound.

Ratings for United of Omaha Life Insurance Company

United of Omaha Life Insurance Company has earned strong ratings from three major rating services: A.M. Best, Moody's, and Standard & Poor's.

Rating Company	United of Omaha	Last Date Affirmed
A.M. Best Company, Inc. (for overall financial strength and ability to meet ongoing obligations to policyholders)	A+ (Superior) This rating is second highest of 16	6/07
Moody's Investors Service (for current financial strength and ability to withstand financial stress in the future)	Aa3+ (Excellent) This rating is fourth highest of 21	9/07
Standard & Poor's (for financial strength to meet obligations to policyholders)	AA- (Very Strong) This rating is fourth highest of 21	9/06

The rating refers only to the overall financial status of the company and is not a recommendation of the specific policy provisions, rates or practices of the insurance company.

United of Omaha Life Insurance Company is solely responsible for its contractual obligations.