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WEALTH MANAGEMENT

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Washington State Long Term Care Trust Act

New Mandatory Tax

- W-2 income tax for Long-Term Care benefit
- High-income earners between 35 and 55 years old will likely endure most financial impact
- If your income is above \$200,000, we highly recommend you explore opt-out options
- **DEADLINE IS FAST APPROACHING – November 2021**
- Benefit is **NOT** transferable outside of Washington
- Opting out options are possible – must prove private coverage
- See additional slides for details

What is it?

- New payroll tax paid by employees to fund Long-Term Care coverage (WA State Legislature HB 1323)
- Limited care benefit, funded by a **0.58% payroll tax on W-2 wages**; withheld quarterly by employers
- Eligible for benefits if work a minimum of 500 hours per year and pay premiums for at least 10 years OR pay premiums for 3 of the last 6 years
- Providers reimbursed directly at Medicaid-comparable rates

Is it a good deal for me?

- According to the outside actuarial firm contracted by the state to review the Trust Program, approximately 45% of state residents could receive comparable coverage on the private market for equal or less money
- Trust Act does **NOT** provide:
 - Coverage outside Washington
 - Inflation protection greater than CPI
 - Elimination period options
 - Ability to cover partners and spouses
 - Cash benefits
 - Return of premium
 - Shared care
 - Partnership protection
 - Contracts under jurisdiction of the Insurance Department, underwritten by authorized carriers, via licensed, trained and regulated producers

Timeline

- **Mandatory for all W-2 employees in Washington State**
- **To be eligible for opt-out, MUST purchase LTC insurance by November 1st, 2021**
- **Owners of LTC insurance may “opt-out” of the program by applying for an exemption between Oct 1st, 2021 – Dec 31st, 2021**
- **First payroll deductions begins January 1st, 2022**
- **First claim for benefits can begin January 1st, 2025**

Coverage Details

- \$100 per day benefit up to a \$36,500 lifetime maximum
- Beneficiaries must need assistance with minimum of 3/10 Activities of Daily Livings:
 - Medication management
 - Personal hygiene
 - Eating
 - Toileting
 - Transferring
 - Body care
 - Bathing
 - Ambulation/mobility
 - Dressing
 - Cognitive impairment
- Benefit pool adjusted annually at a rate no greater than Washington CPI

Tax Rates

- No guarantee 0.58% payroll tax will be a fixed rate
- The law sets the tax rate as no higher than 0.58% as of Jan 1st, 2024 and biennially thereafter
 - The rate will return to 0.58% (or lower) each Jan 1st of even-numbered years, it can rise (and may have to) during the 24-month period between “resets”

Full Summary - <https://www.ltc-associates.com/education-center/who-pays-for-long-term-care/public-programs/washington-state-long-term-care-trust-act/#gs.uziw13>

SHB 1323- <http://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/House%20Bills/1323-S.pdf?q=20210311113306>

Real-Life Scenario

38-Year-Old – \$200k Annual Income

	State Plan	Private LTC Insurance
Premium	200,000 x 0.58% = \$1,160	\$1,454
Portable	NO	YES
Initial Benefit Amount	\$36,500	72,000
Inflation Protection	CPI	5% Compounded

- With Private LTC Insurance and 5% compounding, available benefit pool at age 80 would equate to \$558,890 of coverage
- **Tax Planning Tip:** LTC premium can be paid using tax-deductible HSA funds

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