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Paying LTCI Premiums for Others – No Gift Tax Concerns!

Wealthier clients may want to consider paying LTCI premiums for family members in addition to any other gifts they may be making. Those payments may not count against their $12,000 gift tax exclusion.

Normally, gifts to an individual of more than $12,000 (the gift tax exclusion amount for 2006; $24,000 if husband and wife make a joint gift) in any given year are taxable under Federal gift tax laws. Although those gifts may not result in the giver having to actually write a check to the IRS (because of the $1 million lifetime exemption), they may reduce the amount they can leave to their heirs at death without paying estate taxes.

Long term care insurance premiums are an exception to those rules. Anyone may pay "eligible" LTCI premiums (the lesser of actual premiums and the "age-based limits" shown in the chart) for someone else and it is not treated as a gift. (IRC §213(d)(1)(D) and Reg. §25.2503-6). Premium payments exceeding the limits are a gift (but only to the extent of the excess) and do count against the $12,000 annual exclusion.

Age at end of 2006	Premium Limit
40 or less	$280
41 through 50	$530
51 through 60	$1,060
61 through 70	$2,830
71 and older	$3,530

This means that your wealthier clients who are trying to move assets out of their estate to save on estate taxes have yet another way to do it without paying gift taxes. Unlike some other strategies, this one is simple, doesn't require any special paperwork and doesn't rely on complicated tax laws. And, your clients get to help those they care about create a more secure financial future.

Note that because the amount that is not a gift is limited to the "eligible" premiums, this strategy may not work well in limited pay situations.

If you have additional questions, please contact the Genworth Advanced Marketing Team at advanced.marketing@genworth.com.

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