

Exactly how to go about achieving those savings will depend on the nature of the coverage as well as the particulars of the client's tax planning.

In terms of the coverage, there are four factors what will impact how to take a deduction and the size of that deduction:

- The insurance product must fall under section 7702(b) of the IRS code.
- It also must have separate charges related to the acceleration of benefits, continuation of benefits and any inflation protection, as well as no cash value related to these elements of the product. Together, this generally eliminates all the Long-Term Care riders available on traditional life insurance products.
- There are age-based limits to how much a client can deduct. See Table 1 for additional details.
- The client must itemize, and their total medical expenses must exceed 7.5% of AGI

### Itemized Deduction Example:

#### • Male, Age 55

- LTC Premium: \$6,000
- Deductible Limit: \$1,800
- **Deduction = \$1,800**

#### • Female, Age 72

- LTC Premium: \$6,000
- Deductible Limit: \$6,020
- **Deduction = \$6,000 (full premium covered)**

All the factors listed above prevent many from deducting any of these charges. Fortunately, there is another path for individuals to achieve a similar outcome. If their health insurance coverage includes a Health Savings Account (HSA), the most significant barrier from the list above comes off the table: The need to itemize their taxes.

HSA participants can use their HSA assets to pay the portion of their Long-Term Care Insurance premium attributable to the actual coverage using the same guidelines list above, capped by the age-based limit. Of course.

Further, preserving those HSA funds to pay for treatments that may not be covered by health insurance despite being an appropriate treatment option is also a strategy worth considering.

### How to Use Your LTC Premiums to Reduce Your Tax Bill

*While tax deductions are available to Long-Term Care Insurance owners the particulars point to a decision between modest tax savings today versus more significant tax savings in the long run.*

Table 1: LTC Deduction Age-Based Limits

Attained-age before the close of the taxable year	Max Deductible LTC Premium (2025)
40 or under	\$ 480.0
41-50	\$ 900.0
51-60	\$ 1,800.0
61-70	\$ 4,810.0
71+	\$ 6,020.0

*Source: IRC section 213(d)(1)(D)*