



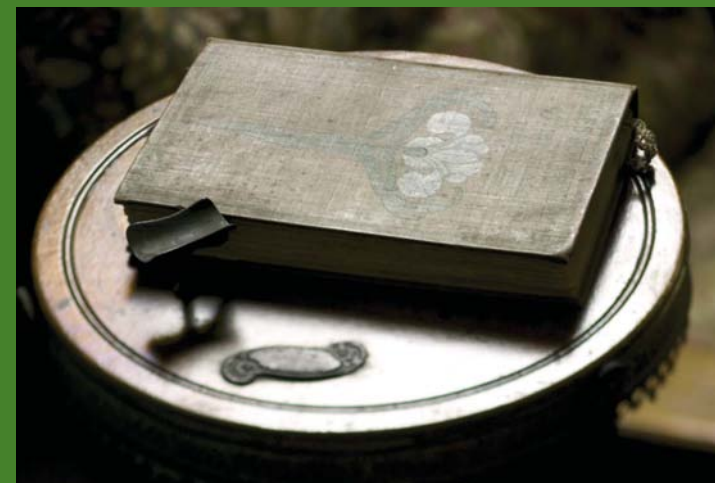
- If you are the owner of a pass through business (i.e., partnership, Sub S Corp, or LLC that has not chosen to be treated as a sole proprietor or C Corp), premiums may be included as income and are deductible on the owner's 1040 tax form up to the age-based limit for deductible long term care insurance premiums.

Long term care insurance should be an integral part of planning for life, while currently working or after retirement. It has received unique tax status in the IRS code. In addition, some states allow a deduction for premiums on state income tax returns as well. Seldom does an executive benefit plan come along which offers so many advantages. This is a plan that can be customized to fit an employer's specific criterion.

Is Executive Carve Out right for you and your key employees? Why not look into how these plans can benefit you. More information is available from your Genworth Life Insurance Company representative.

1 Genworth Financial 2004 Cost of Care Survey, October 2004. Study conducted by CareScout, Survey results available from the company or one of our insurance agents.

2 Owner should always review the wording of these requirements or characteristics with their legal counsel.



Our policies are intended to be qualified long term care insurance contracts under federal tax laws. You should consult a tax advisor to determine the income tax implications of paying premiums and receiving benefit payments.

The discussion of tax treatment is not intended as tax advice. You should consult a tax professional for information related to your particular situation.

Policy Form Series: 7035, 7042, 7044
In Idaho, Policy Form Number: 7042ID, 7044ID
In North Carolina, Policy Form Number: 7042NC, 7044NC
In Oklahoma, Policy Form Number: 7042OK, 7044OK
In Vermont, Policy Form Number: 7042VT, 7044VT
In Texas, Policy Form Number: 7042TX, 7044TX
Not all policies available in all states.

EXECUTIVE CARVE OUT

Long term care insurance
underwritten by
Genworth Life
Insurance Company

EXECUTIVE CARVE OUT



Long Term Care Planning

Long term care planning is an important component of most people's overall financial plan. With costs for a Home Health Aide averaging \$18.65 an hour nationally, and a private room in a nursing home averaging \$65,200 per year nationally, lack of this important protection could have a major impact on retirement planning.¹

A benefit plan utilizing Tax-Qualified Long Term Care insurance offers employers a way to reward and retain the loyalty of their hard-working key people.

Tax-Qualified Long Term Care insurance occupies a unique status in IRS code. In certain cases, when purchased by an employer for selected employees, the premium payment may be deductible to the employer. (IRC Sec. 162(l)). Employer paid premium generally does not generate additional taxable income to the employee even though the employee is the owner of the Long Term Care Insurance policy. (IRC Sec. 106(a)). Benefits from the Tax-Qualified Long Term Care policy paid to the employee may be likewise income tax free. (IRC Sec. 105b). The same results

apply to a tax-qualified long term care insurance policy purchased by the employer for the employee's spouse. There are not many products with as many tax advantages as tax-qualified long term care insurance.

What is Executive Carve Out?

Executive Carve Out is a method whereby a business owner may favor only selected employees for certain benefits, and exclude others. It is a way to discriminate among employees based on criteria determined in advance by the owner.

For example, certain business owners may be able to create a "class" of employees that is eligible for having their long term care insurance premiums paid for by the business. This "class" of employee might include only those employees that have been with the business for a specified number of years, or who are in a management role.²

Owners typically create these classes of employees because they either want to make long term care insurance available only to certain employees, or they want to create a benefit that the non-included can aspire to when they meet certain qualifications.

If currently working, selected employees appreciate this type of protection because it can help protect their planning, saving and accumulating of funds for retirement.

Further, when retired, long term care insurance helps to protect income streams and conserve assets. For business owners, it also helps to protect business values, personal assets and retirement plan values.

Q: So as an owner, I can discriminate who I make this coverage available to. But what is it worth to these favored employees?

- Generally, premiums paid by the firm are not taxable to the employee. (IRC Sec. 106(s))
- Generally, benefits when received are not taxable to the employee. (IRC 7702B(a)(1))
- The employee owns the policy, which is fully portable.
- Based on the type of policy provided, the employee may have a fully paid policy when they retire.

Q: What is it worth to my business?

- Generally, premiums are fully deductible for bona fide employees. (IRC Sec. 162(l))
- In certain cases, the business could also pay for the employee's spouse and/or dependents, and deduct those premiums too.
- Subject to your type of business (i.e., sole proprietor, partnership, S Corp, C Corp, LLC, Professional Corp), several deductibility scenarios exist pertaining to owners and premiums paid on their behalf by the business.

Q: And if I'm an owner, what is my tax scenario?

- Generally, owners of C Corps and Professional Corps that elect C Corp status are considered employees. As such, they may include themselves in the carve out and have the corporation pay for and deduct the long term care insurance premiums, and not have the premiums included as income. (IRC Sec. 106(a))