



Funding Long Term Care Insurance Using an SPDA

SPDA + LTCI = Tax Efficient Protection

The Clients: Cindy and Tom, ages 62 and 65, married, considering Long Term Care Insurance.

The Situation: Cindy and Tom recently exchanged their jointly owned deferred annuity for a new jointly owned deferred annuity with the Genworth Financial companies (Genworth). They liked the combination of guaranteed rates and flexibility features offered by the Genworth annuity. When their agent, Dave, delivered the contract, they discussed other portfolio protection needs. Cindy mentioned that they would like to learn more about long term care insurance. Some friends had shared issues they're having providing care for an aging parent. Cindy and Tom don't want to be a burden to their children.

A Strategy: Dave sat down with Cindy and Tom to gain an understanding of their concerns. Dave is aware of new ways to fund long term care insurance using non-qualified annuities. He notes that their non-qualified fixed annuity has substantial gains and that they currently do not need that annuity to fund their retirement income.

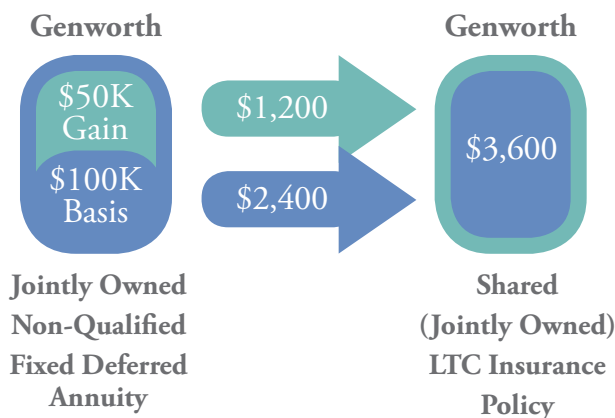
A Solution: Dave learned about the Pension Protection Act and knows that as of January 1, 2010 qualified long term care insurance could be funded with full or partial tax free 1035 exchanges* from non-qualified annuities. After researching available options Dave recommends the following:

- Purchase a shared long term care insurance policy (LTCI) from the Genworth Financial companies.
- Complete form 42923LTC to initiate automated annual 1035 exchanges from the deferred annuity to fund their LTCI policy.

Dave was pleased to hear when both the annuity and LTCI policy are provided by the Genworth Financial companies the 1035 exchange process is simple, requiring only a single form to initiate annual tax-free distributions to fund a long term care insurance policy.

Dave explains to Cindy and Tom that the tax savings from this strategy effectively reduces the cost of their long term care insurance in comparison to funding it with taxable income or withdrawals.

Summary of Dave's Recommendation:



- **Jointly Owned LTCI Policy Funded Via Partial 1035 Exchange**
- **The LTCI Policy Requires Annual Premiums**
- **The Gain and Basis in the Annuity are Reduced Pro Rata**

* IRC §1035

Additional Considerations

- Most fixed deferred annuities from the Genworth Financial companies allow up to 10% surrender charge-free withdrawals each year. This flexibility combined with the new 1035 exchange provisions can make a fixed deferred annuity a good choice to fund long term care insurance.
- Owner(s) of the deferred annuity and long term care insurance policy must be identical.
- Prior to engaging in a 1035 exchange, your clients should carefully consider a number of factors including the features, provisions, and crediting rate(s) of their current product, applicable surrender charges, any new surrender charge period on the purchase of a new product, as well as the various features and crediting rate(s) of the new product. Representatives should carefully consider whether a replacement is in the best interest of their client before making a recommendation to replace the client's existing product.

Questions to Begin the Conversation:

- How do you currently pay for your long term care insurance policy premiums?
- Are you interested in recent tax changes that can make long term care insurance more affordable?

Contact Your General Agent for More information:

Agency Name

Agent Email

Agent Name

Agency Web Address

Agent Phone Number

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This is a brief product summary. Please refer to marketing materials and the contract for more complete product information.

The discussion of tax treatments in this material is the Genworth Financial companies' interpretation of current tax law and is not intended as tax advice. Your clients should consult the contract and a tax professional.

Annuities Issued by

Genworth Life and Annuity Insurance Company,
Genworth Life Insurance Company &
Genworth Life Insurance Company of New York

Long Term Care Insurance underwritten by

Genworth Life Insurance Company, and in New York,
Genworth Life Insurance Company of New York

Administrative offices: Richmond, VA

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