Welcome to our sales presentation on long-term care. Before you start the main part of our presentation, let me take a minute or two to tell you what we hope to accomplish through your review of the information.

We have three main objectives.

First, we'd like to introduce ourselves and our company:

I am a Long-Term Care Specialist* with The Northwestern Mutual Financial Network and an agent of the Northwestern Long Term Care Insurance Company (NLTC), a subsidiary of Northwestern Mutual.

We use sales presentations like this one to introduce ourselves and to develop strong working relationships with people like you.

Second, we'd like to educate you about some of the things effective financial management can enable you to accomplish. We'll also discuss some techniques you can use to reach your financial goals.

And third, we'd like to clearly illustrate the advantages of working with a company like ours to help you plan and implement your financial strategies.

*(*A Long-Term Care Specialist is a licensed insurance agent.)*

Our commitment to the community extends beyond simply offering products and services. We are committed to helping people evaluate their financial situations and giving them the tools to make good financial decisions.

As part of that commitment, we use tools like this one to provide individuals with sound financial information. This information will help you identify your goals and make wise decisions to improve your financial situation.

We can follow up this presentation with a meeting in our offices. This is a complimentary consultation we offer to everyone who is interested in discussing the information provided in the presentation. During that consultation, we will answer any questions you have as a result of reviewing this presentation. If you prefer, we can use that time to examine your specific situation by using our free, no-obligation Personal Planning Analysis (PPA).

We know that we'll establish a working relationship with you only when you're confident we can be of service to you. We want you to understand your options and to know how you will benefit from our services.

Let's begin, shall we? Long-term care. Not a pleasant thought, is it? No one likes to think about nursing homes, home health care, or any other type of long-term care.

In fact, although 82 percent of the respondents to a telephone survey agreed with a statement that it is irresponsible not to plan for their own long-term care services, only 12 percent feel they have adequately prepared for it.

Source: National Council on the Aging, "Americans Look to Employers and Government for Help with Long-Term Care Needs" press release, March 23, 1999.

Unfortunately, it is projected that the chance of needing long-term care at some point in one’s life is nearly 50 percent.

(This statistic includes services or short durations that would not qualify for benefits from the LTC policy and services for which the LTC policy does not provide benefits.)

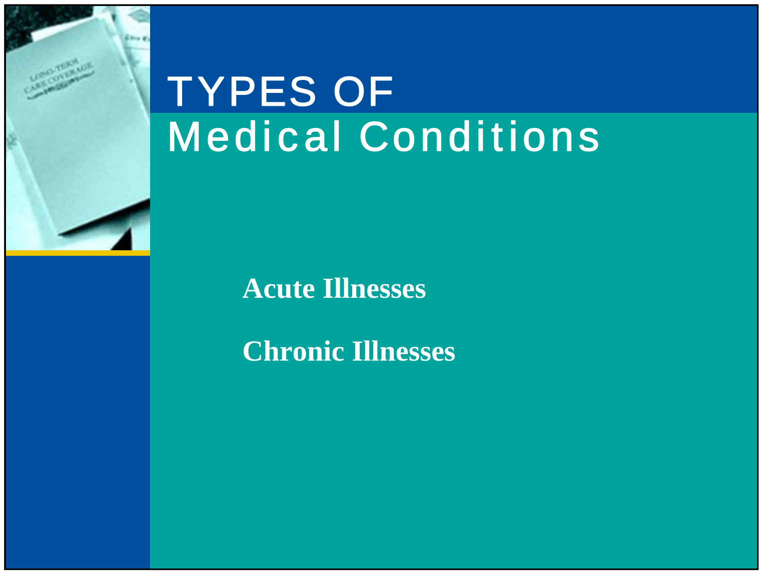
That’s why we’re here today.

You’ll learn about the pressing need for adequate coverage against the prohibitive cost of long-term care. We’ll discuss the various solutions that can provide that coverage and give you the tools to make intelligent, informed decisions.

Source: Glenn Ruffenbach, “Cracks in the Nest Egg: A Look at the Biggest Mistakes,” *The Wall Street Journal*, October 22, 2001. This statistic includes people who are not eligible for long-term care coverage and services which are not covered under a long-term care contract.

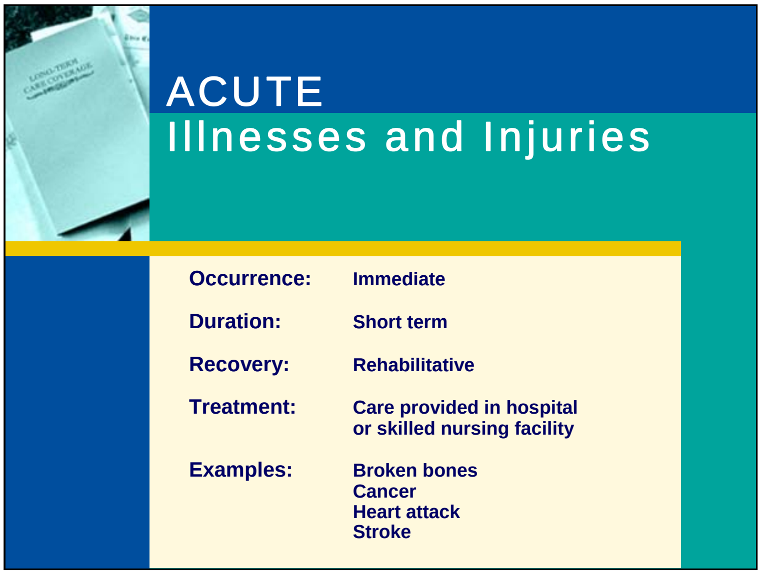
If you were to suffer a chronic illness, disabling condition, or cognitive impairment that required long-term care, would you be covered?

If you are among the vast majority of Americans, the answer is no.



In order to fully explore the answer to that question, we must first understand the different types of medical conditions and how medical insurance is designed to pay for those types of conditions.

Two categories of medical conditions are acute illnesses and chronic illnesses. Let's take a look at both of these in more detail.



Acute illnesses and injuries are the conditions we are probably most familiar with.

These types of injuries are immediate and unexpected. You fall down the stairs and break your ankle, for example.

Acute conditions are short term and rehabilitative. In other words, you can recover from an acute medical condition.

Care for these types of conditions is generally provided in a hospital or a skilled nursing facility.

Broken bones, cancer, heart attacks, and strokes are examples of acute illnesses. Some of these, such as some types of cancer or strokes, may develop into chronic illnesses.

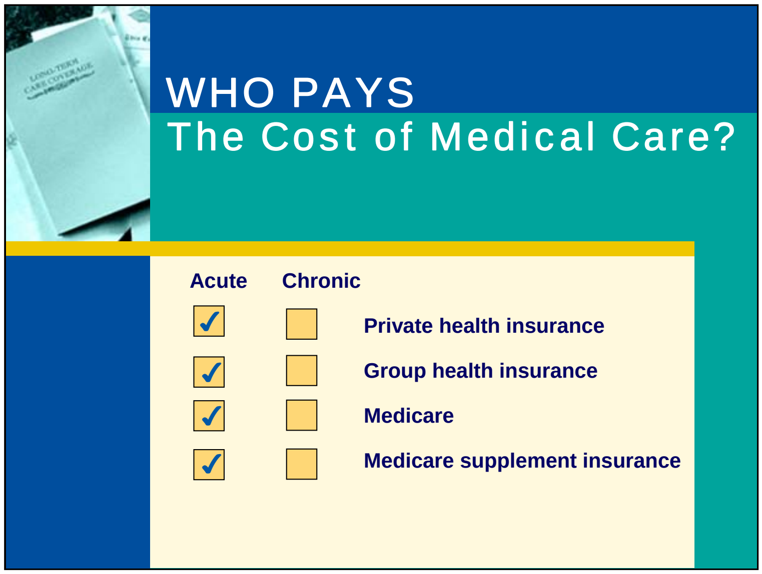
Another type of medical condition is a chronic illness or injury.

Chronic conditions are progressive and long term. They are nonrehabilitative, which means you don't recover from these types of conditions.

Treatment for these types of conditions is generally provided in the home, the community, an alternate living facility,* or a nursing home.

Some examples include Alzheimer's disease, osteoporosis, Parkinson's disease, and severe arthritis.

*Also known as residential care facilities and assisted living facilities.



So who pays the cost of medical care for acute and chronic illnesses?

The four main types of health insurance coverage are designed to pay for *acute* medical conditions.

Private health insurance leaves chronic, long-term conditions largely uncovered. Group health insurance usually doesn't cover them either.

There are only limited benefits for long-term care under Medicare and Medicare supplement insurance, and only after certain strict requirements have been met.

So who pays for *chronic* medical conditions? Often, you do.

And these costs can be prohibitive.

In 2001, the average annual cost of care from a home health aide was $34,000.[1] This amount varies, however, by geographical area and by the actual facility.

In the same year, the nationwide average cost of nursing home care was $55,000.[2]

Sources: 1 “Basic Statistics About Home Care: Updated March 2000,” National Association for Home Care (NAHC), NAHC Web site Table 17. Figure based on national average. Copies available upon request.

2 “Long-Term Care Insurance: Better Information Critical to Prospective Purchasers,” General Accounting Office, Sept. 2000, GAO/T-HEHS-00-196:1.

There are three common misconceptions about long-term care. And that's why many people fail to plan.

Some people soothe themselves with the thought that "It will never happen to me."

Other people underestimate the extent of the problem with the notion that "My family will care for me."

Still others believe that "Medicare will pay for it."

Let's examine each of these misconceptions in a little more detail.

The first misconception is: "It will never happen to me."

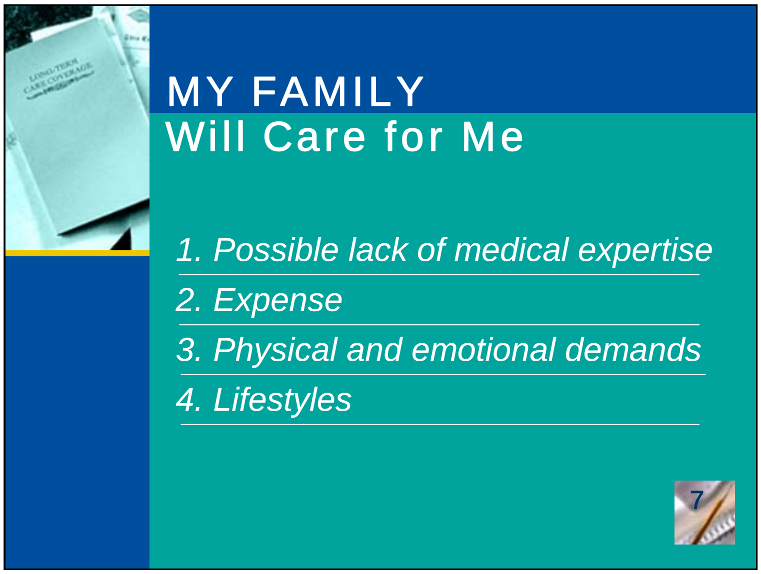
We mentioned earlier that the chance of needing long-term care at some point in one's life is nearly 50 percent.[1]

(This statistic includes services or short durations that would not qualify for benefits from the LTC policy and services for which the LTC policy does not provide benefits.)

And about 35 percent of people develop Alzheimer's disease by age 75, and the percentage rises with age. By age 85, almost half of all people get the same ailment.[2]

Sources: 1 Glenn Ruffenbach, "Cracks in the Nest Egg: A Look at the Biggest Mistakes," *The Wall Street Journal*, October 22, 2001. This statistic includes people who are not eligible for long-term care coverage and services which are not covered under a long-term care contract.

2 Steve Sternberg, "Alzheimer's Tidal Wave Feared," *USA Today*, March 22, 2000



The second misconception is: “My family will care for me.” Will your family actually be able to take care of you? Is that a realistic alternative?

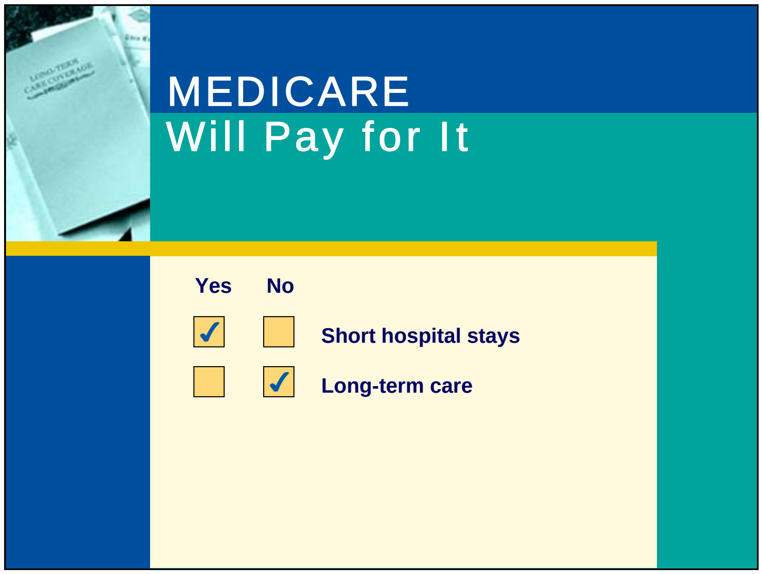
Understandably, many people would prefer this option. Unfortunately, in most cases it just isn’t practical — particularly when care is needed for a long period of time.

First of all, most families lack the medical expertise to provide skilled long-term care.

Second, few families can afford the potentially high expense of long-term care.

Third, the physical and emotional demands of caregiving can be overwhelming.

And finally, home care provided by a family member is more difficult in today’s society of widely scattered families, fewer children, and dual-career lifestyles.



The third misconception is: “Medicare will pay for it.”

But will Medicare cover the cost of long-term care? Unfortunately, generally not.

Medicare is the U.S. government’s health care insurance program for eligible people aged 65 and older and for certain disabled people. As we discovered earlier, Medicare is designed to cover short-term, acute conditions — it is generally not designed to cover long-term care.

What does Medicare cover?

A common misconception is that Medicare pays for all medical conditions. The fact is that Medicare is more like major medical insurance.

It is designed to pay primarily for *acute* conditions, such as broken bones and heart attacks. Such conditions are usually treated in a hospital or in a skilled nursing facility.

Medicare pays limited or no benefits for *chronic* conditions, such as Alzheimer's disease, osteoporosis, Parkinson's disease, and severe arthritis. Chronic medical conditions evolve over a longer period of time and are generally treated in the home, in the community, in alternate living facilities,* or nursing homes. Medicare will not pay for full-time, at-home care.

*Also known as residential care facilities and assisted living facilities.

To qualify for Medicare-covered skilled care, you must meet the following criteria:

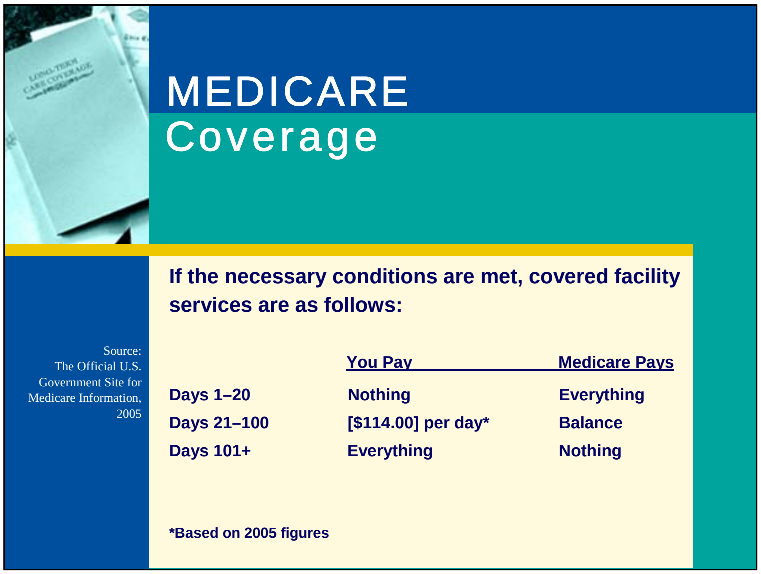
1. Have Medicare Part A (hospital insurance) and have days left in your benefit period available to use.

2. Have a qualifying hospital stay (3 consecutive days or more, not including the day you leave the hospital). Additionally, you must enter the skilled nursing facility within 30 days of leaving the hospital.

3. Have a doctor decide that you need daily skilled care.

4. Receive care in a Medicare-certified facility.

Source: *Medicare Coverage of Skilled Nursing Facility Care*, Centers for Medicare & Medicaid Services and U.S. Department of Health and Human Services, Revised April 2002



Let's look at what your costs would be if you were institutionalized for over 100 days and qualified for Medicare.

For the first 20 days, you would pay nothing and Medicare would pick up the costs. From days 21 through 100, you would be responsible for paying up to [$114.00] per day, and Medicare would pay any remaining balance. From day 101 on, Medicare will pay nothing and you will pay everything.

Remember that Medicare pays *nothing* for nursing-home stays longer than 100 days.

Source: The Official U.S. Government Site for Medicare Information, 2005. The costs shown are for [2005]. They are adjusted annually for inflation. Copies available upon request.

What about home health care?

Medicare pays for some home health care, but only if you meet *all* these conditions:

1. Your doctor must decide that you need medical care in your home, and must make a plan for your care at home; and

2. You must need at least one of the following: intermittent (and not full time) skilled nursing care, or physical therapy, or speech language pathology services, or continue to need occupational therapy; and

3. You must be homebound. This means that you are normally unable to leave home; and

4. The home health agency caring for you must be approved by the Medicare program.

Once your medical condition is stable, Medicare covers your home health care services for as long as you are “eligible” and your doctor says that you need ongoing care, as long as you continue to meet conditions for eligibility.

It is important to note that skilled nursing care and home health aide services are paid only on a part-time basis. This means there are limits on the number of hours per day and days per week that you can receive this care.

Source: *Medicare and Home Health Care*, Centers for Medicare & Medicaid Services and U.S. Department of Health and Human Services, Revised April 2002

If Medicare won't pay for long-term care, what about Medicare supplement insurance?

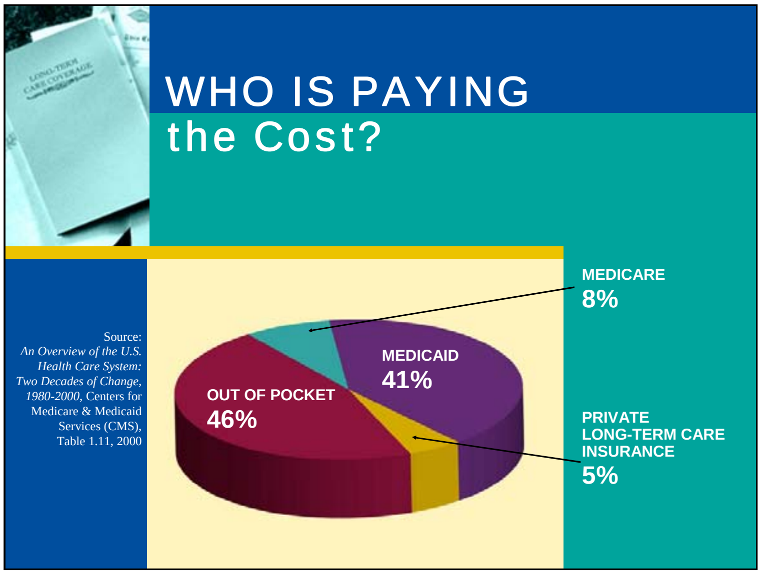
Unfortunately, Medicare supplement insurance won't cover it either. And the same is true for HMOs and managed care plans.

Medicare supplement insurance is private insurance designed to cover the gaps in your Medicare coverage. It covers the deductibles and co-payments that you pay under Medicare, and it provides coverage for many things that Medicare doesn't cover.

There are 10 standard policies from which you can choose, each providing different levels of coverage. Your exact coverage depends on the type of Medicare supplement insurance policy you have.

Please note that neither this company nor its agents are connected with or endorsed by the U.S. government or the federal Medicare program. Note that not all Medicare Supplement plans are available in all states.

So if Medicare and Medicare supplement insurance aren't paying for long-term care, who is?



A large share is now being paid directly by those who need the care or by their families. And I would venture to guess that today you might be in a situation in which you would have to bear the cost of your own long-term care.

In 2000, 46 percent of nursing-home payments were paid out of pocket by people like you. Medicaid, which is basically state welfare, paid about 41 percent. Medicare paid only 8 percent of the costs of nursing-home care, and private health insurance covered only 5 percent.

Source: *An Overview of the U.S. Health Care System: Two Decades of Change, 1980-2000*, Centers for Medicare & Medicaid Services (CMS), Table 1.11, 2000

WHAT ARE Your Options?

Some of your options include:

- **Self-insure**
- **Medicaid**
- **Long-term care insurance**

So, what are your options? Following are some of the options for people who are faced with the possibility of needing long-term care.

First, you can choose to self-insure. Here you rely on your own private financial resources to cover the cost of long-term care. This is an option many people choose by default, simply because they haven’t taken any action at all.

Another option is to qualify for Medicaid (Medi-Cal in California; Massachusetts MassHealth in Massachusetts). Medicaid is a welfare program that provides health care for needy families. It provides broad coverage, but only if you meet strict requirements. People often try to qualify for Medicaid by transferring assets or “spending down” to the poverty level.

There are strict laws in place to discourage this strategy, however.

Finally, you can purchase a long-term care insurance policy. You pay the premiums, but you transfer the financial risk of your long-term care to an insurance company.

No single option works in all cases. The option that is best for you depends on your situation. But in many cases, insurance may be an appropriate solution to long-term care costs.

Let's talk about self-insuring.

Can you afford to take the risk? If you're considering this option, you should be aware of how much it can cost.

In 2001, the average annual cost of care from a home health aide was $34,000.[1] This amount varies, however, by geographical area and by the actual facility.

In the same year, the nationwide average cost of nursing home care was $55,000.[2]

Sources: 1 "Basic Statistics About Home Care: Updated March 2000," National Association for Home Care (NAHC), NAHC Web site Table 17. Figures based on national average. Copies available upon request.

2 "Long-Term Care Insurance: Better Information Critical to Prospective Purchasers," General Accounting Office, Sept. 2000, GAO/T-HEHS-00-196:1

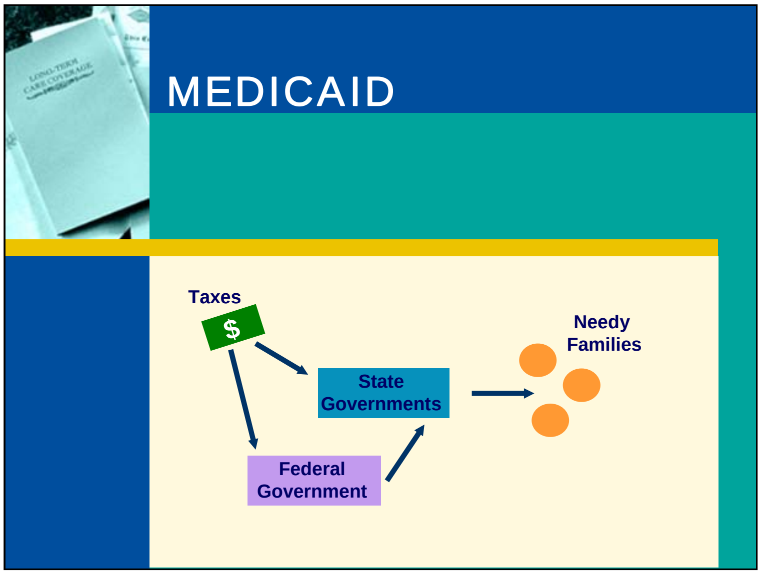
What about 30 years from now? Will you be able to afford to self-insure then?

A 1999 study completed by the *Journal of Financial Service Professionals* projected long-term care costs to be much greater in 2030. In fact, over the past 10 years, the cost of a nursing-home stay has increased annually at an average rate of 3 percent *above* inflation.

Even assuming a simple 3 percent annual inflation rate, by the year 2030, the annual cost of a home health aide would be $195,000 and the cost for one year of nursing-home care would be $315,000.

Assuming a 3 percent rate of inflation, starting in 2001, a 55-year-old would have to accumulate over $600,000 by age 85 to pay for two years in a nursing home. This would require saving more than $6,000 per year for the next 30 years (assuming a 7 percent annual return after taxes).

Source: Janemarie Mulvey, Ph.D., and Barbara Stucki, Ph.D., "Retirement Planning for Baby Boomers: The Role of Long-Term Care Insurance," *Journal of Financial Professionals,* LIII.5 (1999):54



What about Medicaid (Medi-Cal in California; Massachusetts MassHealth in Massachusetts) — the second option? Let's take a look at what's involved when Medicaid foots the bill.

People with very low incomes and few assets may qualify for Medicaid, which is a joint federal and state program that provides medical assistance to needy families.

Medicaid is funded through a combination of federal and state tax dollars, but the states are solely responsible for administering the benefits to recipients in their states.

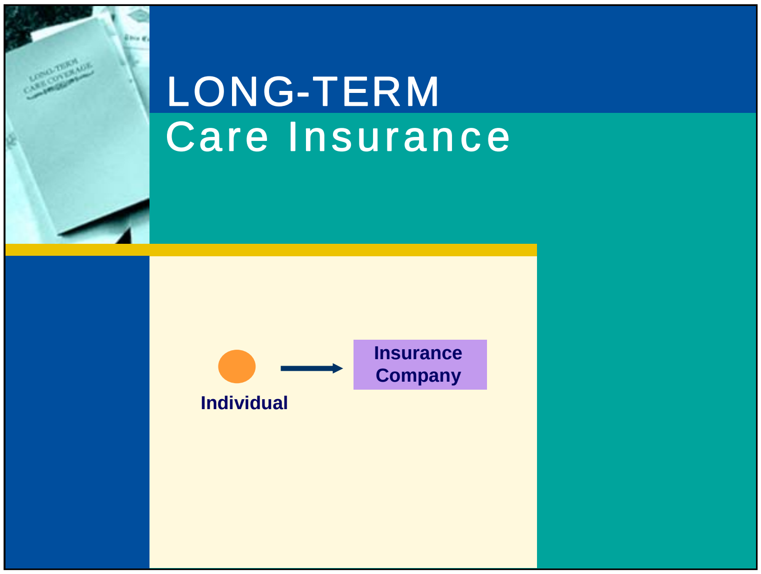
Medicaid offers limited choices regarding how care is provided. Many people would dislike being limited in their options for care.

Furthermore, because Medicaid is designed primarily for the poor, its requirements are strict. In most cases, it is granted only to needy families. Often, families may have to "spend down" assets and income in order to qualify.

This brings us to long-term care insurance.

We've spent some time talking about self-insuring and Medicaid, but neither one is a realistic option for most people.

So let's shift gears now and talk about long-term care insurance.



Long-term care insurance enables you to transfer the financial risk of long-term care costs to an insurance company. In exchange for your payment of current premiums, long-term care insurance helps enable you to preserve your accumulated wealth from the potentially substantial expense of long-term care.

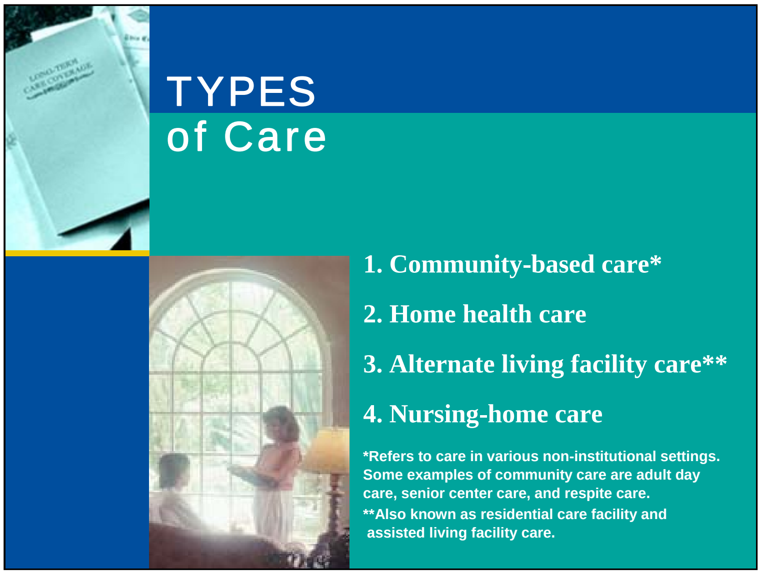
This can mean enhanced security and peace of mind for you and your family.

Let's review the different levels of long-term care services.

Custodial care is for those who need help with activities of daily living (bathing, dressing, eating, etc.) and often involves nonmedical personnel.

Intermediate care is for those who need occasional nursing and rehabilitative care under the supervision of skilled medical personnel. It is less specialized and less comprehensive than skilled nursing care.

Skilled care is for those who need intensive care, constant supervision, and treatment by a skilled health care professional.



Long-term care insurance can cover four main types of care: community-based care (which is received in various non-institutional settings), home health care, alternate living facility care,* and nursing-home care.

Not all long-term care insurance can cover all these types of care. Such policies may be appropriate if they suit your needs, but consider your goals and personal situation before deciding. Policies that offer coverage for all types of care help you cover all your bases, regardless of what type of care you might need.

Let's go through the four different types of care in a little more detail.

*Also known as residential care facility and assisted living facility care.

The first type of care is community-based care, which includes services received in various non-institutional settings to help aging individuals remain independent.

Adult day care is often provided at senior or community centers. It can be recreational, or it might include physical therapy.

Respite care provides short-term care while the regular caregiver is out of town or unavailable.

Next, there's home health care. There are two levels of home health care: professional care and personal care.

Professional care is a higher level of care. It can be provided by registered nurses, occupational therapists, speech therapists, or physical therapists.

Personal care is typically nonmedical care. It might be provided by licensed adult day-care providers, social workers, or certified home health aides.

The third type of care is alternate living facility care.* Alternate living facilities are residential units with care staff on hand. They are not licensed nursing homes, but rather are facilities for people who do not require nursing-home care.

Alternate living facilities* are generally private facilities that provide a room, meals, living assistance, and 24-hour monitoring.

Adult foster care homes are generally single-family homes that serve no more than five people. Homes are owned by organizations or individuals, and may provide general care or concentrate in a specialty area (such as memory loss, dementia, high physical needs, and ventilator patients).

Finally, there is nursing home care. A nursing home is a facility that is primarily in the business of providing licensed nursing care (skilled, intermediate, and custodial) to inpatients on a 24-hour-a-day basis.

*Also known as residential care facilities and assisted living facilities.

Now that we've covered all the different types of care, let's take a minute and think about why you should consider long-term care coverage.

Many thoughts and reasons are probably coming to mind. The fact is, long-term care insurance provides a variety of benefits, and people rely on long-term care coverage for different reasons.

Some of the reasons why people purchase long-term care insurance are listed here.

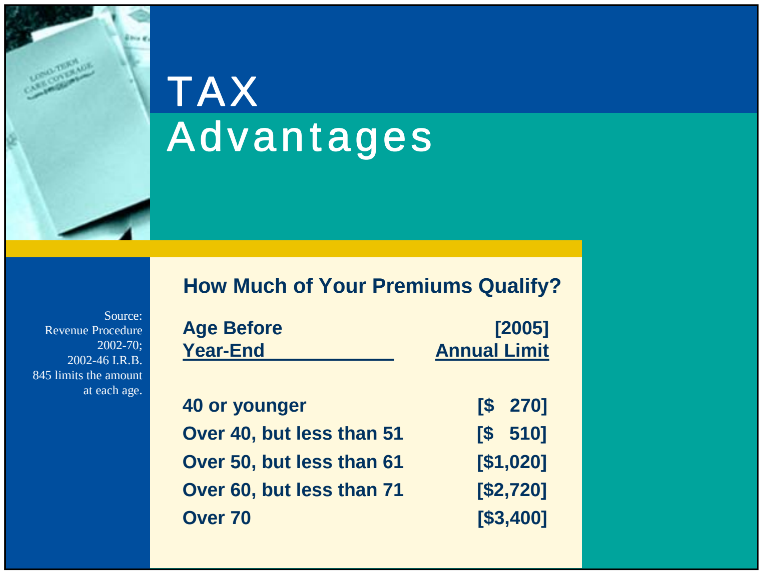
One reason is to preserve independence. Other common reasons are to preserve freedom of choice in long-term care services, to preserve standards of living, to protect assets, and to avoid reliance on governmental welfare programs.

Is long-term care insurance right for you? In order to determine whether it is, you need to consider your net worth, the potential out-of-pocket costs associated with long-term care, and the premiums you must pay for the policy.

Long-term care insurance policies are well suited to those who have the most to lose if long-term care needs arise. This generally includes most middle- and high-net-worth families. Even the very wealthy may want to consider long-term care insurance. After all, even if you could cover the costs of long-term care, is it something you want to do? Why not transfer the risk to an insurance company by paying comparatively low premiums, rather than risk having to pay a very large bill yourself?

Also consider the out-of-pocket costs. Do you know how much a nursing-home stay would cost in your area?

You must also consider the premiums for the policy. Can you afford them? Can you afford to overlook them?



To help people afford the coverage they need, long-term care insurance has been given the same tax advantages afforded to other medical expenses.

With the passage of the Health Insurance Portability and Accountability Act in 1996, premiums for long-term care insurance may be deductible from federal taxes.

Individual taxpayers may be able to deduct part of the premiums paid for long-term care coverage insuring themselves, their spouse, or a dependent (defined in I.R.C. Section 152). I.R.C. Sections 7702B(a)(4) and 213(d)(1).

The part of each premium that may be deductible depends on the insured's attained age at the close of the taxable year and is indexed each year for inflation. I.R.C. Section 213(d)(10).

For 2005, Revenue Procedure 2002-70; 2002-46 I.R.B. 845 limits the amount at each age to:
40 or less: [$270]
41 to 50: [$510]
51 to 60: [$1,020]
61 to 70: [$2,720]
71 or older: [$3,400].

This amount, called "eligible long-term care premiums," may be added to the unreimbursed medical expenses for the year. I.R.C. Section 213(d)(1)(D).

The taxpayer may deduct total medical expenses to the extent that they exceed 7.5 percent of adjusted gross income (AGI) for the year. I.R.C. Section 213(a).

Additional considerations can make people good candidates for long-term care coverage.

Women should consider long-term care insurance. They tend to outlive men, which makes them more likely to need long-term care services. In fact, according to the Centers for Medicare and Medicaid Services, women represent 75 percent of the nursing-home population.[1]

Children of aging parents may want to consider purchasing coverage for their parents. If long-term care services are required, it can enable children to ensure quality care for their parents, as well as alleviate the time, cost, and emotional demands of caring for their parents themselves.

Married couples should consider long-term care insurance that includes a home health care benefit. If one spouse would need care, the home health care benefit would allow the healthy spouse to keep the other spouse at home. In other words, they can *supplement* care.

Finally, those with a family history of debilitating illnesses or diseases, such as strokes or Alzheimer's disease, should consider long-term care coverage.

Source: 1 *Women's Health USA 2002*, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, 2002

What are some common considerations before buying long-term care insurance from a particular company?

In a study conducted in 2000, consumers cited the following reasons as most important when selecting a long-term care insurance policy.

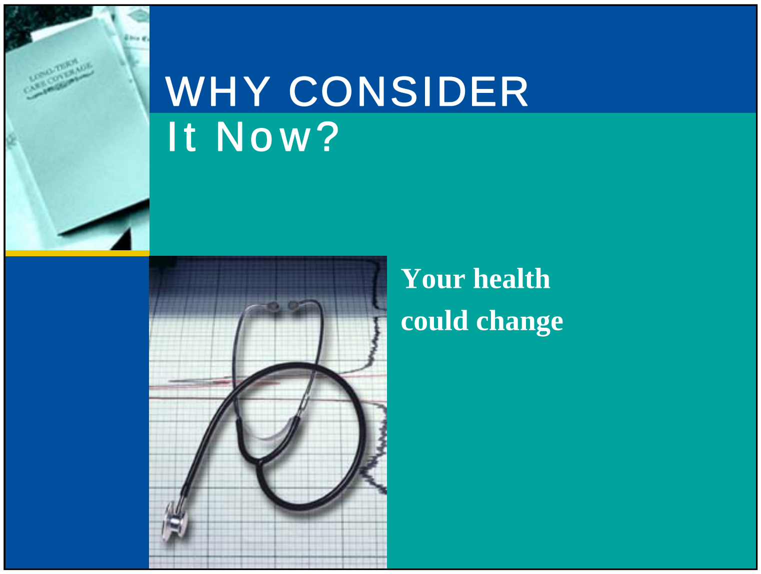
The first is company ratings. One of the best ways to determine a company's financial strength and security is through the use of objective third-party rating agencies, which provide a professional assessment of long-term investment value and financial soundness.

Next is the company's reputation. A company with a track record of fair policyowner treatment, offering superior long-term value and world class service, provides many consumers with a heightened level of buying confidence. Companies recognized by consumer publications will help in determining a company's reputation.

Third is the financial representative's* recommendation. Your financial representative* should be able to provide expert guidance and innovative solutions to help you address your personal financial needs and goals – with high-quality resources, products, and services.

Source: "Who Buys Long-Term Care Insurance in 2000?: A Decade of Study of Buyers and Nonbuyers," LifePlans, Inc., for Health Insurance Association of America, October 2000

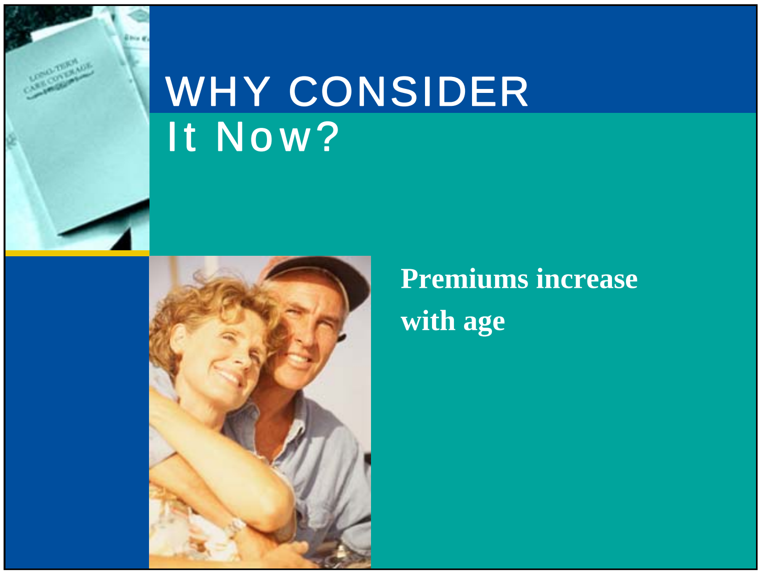
*A financial representative is a licensed insurance agent.



There are many factors to consider, aren't there?

It almost makes you want to avoid the whole issue of long-term care. But that would be a mistake. You see, there are a number of reasons why you may want to consider implementing a long-term care policy now instead of waiting until later.

If you are healthy now, you should consider purchasing coverage while you can. If your health changes in the future, you may not be eligible to purchase a policy.



Premiums increase with the age of the applicant. That's another thing you should think about when it comes to long-term care insurance. The longer you wait, the higher your premium may be.

Procrastination is clearly your enemy: If you wait until you actually need the benefits, you may not qualify for a policy at all.

Consider the benefits of purchasing a long-term care insurance policy.

For the cost of current premiums, you are securing dignity, choice, and independence. And you are helping to preserve the financial security of your family.

We have looked at some of the options for covering long-term care expenses: self-insuring, Medicaid, and long-term care insurance.

The option that is best for you depends on your circumstances. But for many people, long-term care insurance may be the most appropriate option.

Careful planning is the best insurance of all, no matter what your long-term care needs may be.

To plan well, you must evaluate your situation, explore the different options, and make good decisions.

In some cases, self-insurance is a suitable alternative. Likewise, in some cases, qualifying for Medicaid may be the most appropriate alternative.

In many cases, however, long-term care insurance can be a prudent solution to this pressing problem. But remember, the ultimate solution depends on your personal situation, and no one answer is always the best.

We've spent some time together today discussing financial challenges and creative solutions. As you can see, there are a lot of things to consider when you are buying a long-term care policy. Where do you go from here?

If you decide to purchase a long-term care policy, there are several ways you can go about obtaining coverage.

You can do it yourself. You can call insurance companies, talk to salespeople, and make your own comparisons. It's a lot of work, but you could do it.

You can work with others. Perhaps you have contacts who can help you accomplish some of your financial goals.

You could work with us. We hope you feel comfortable with what you've learned about our professional expertise and the approach we take with our clients.

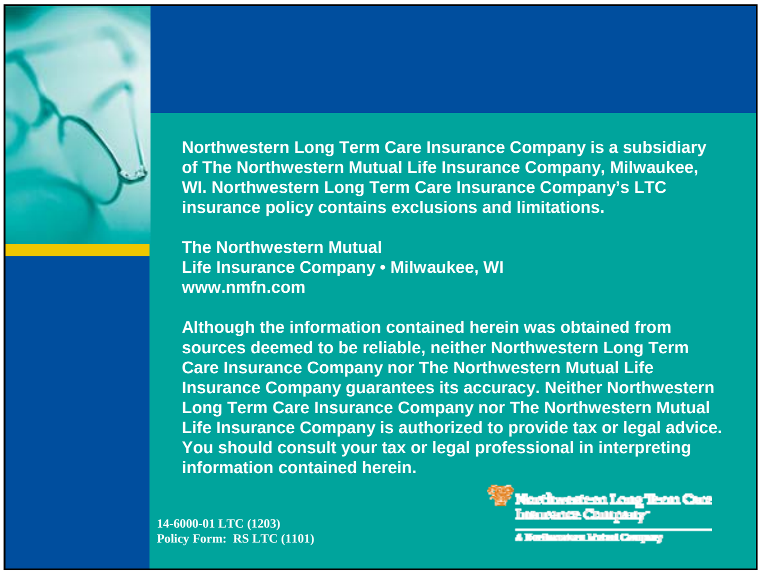
Finally, you can put off any action to a future time. I hope we've made it clear that delaying is not a prudent move.

Of course, we hope you'll decide to work with us, and we hope you'll come to the complimentary consultation. We don't expect you to make any decisions now, nor do we expect you to decide when you come to our office. We want you to decide only when you're ready. As you get to know us better, we feel confident that you'll want to work with us. But again, the choice is up to you.

Thank you for taking the time to review this information. We want to compliment you on the initiative you’ve shown in wanting to improve your personal financial situation.

Please don’t hesitate to contact me if you would like to talk more about the information you reviewed in this presentation.

Thank you again.



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