



Principal® Income Annuity

Facing the prospect of paying for long-term care?

A Medicaid-compliant annuity could be part of your plan.

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Life doesn't always go as planned. The dreams we have for our retirement might suddenly change due to a chronic illness or the need for long-term medical care.

If you're facing the prospect of depleting your retirement savings to pay for long-term care, consider whether a Principal® Income Annuity with a Limitations Rider could help.

The truth about skilled, long-term care in the U.S.

It's expensive—much more so than you may think.

In the U.S., more than half of those who turn 65 will need long-term care in their lifetime.¹ A room in an assisted-living facility averages around \$48,000 per year, and a semi-private room in a nursing home can cost up to \$80,000.² The average nursing home stay is around two years.³

That's a lot of money for many of us. And many insurance plans, including Medicare, may not pay for nursing home or in-home care. Medicaid does. And that's another story.

What is Medicaid?

Medicaid is a joint federal and state program designed to help pay medical expenses for those with limited means. Guidelines for the program are set at the federal level but are administered by the states. This means qualifications for Medicaid could vary depending upon the state in which you live.

Medicaid will pay for long-term care costs, but there are strict financial rules for eligibility. The state you live in may count both your assets and income when deciding whether or not you qualify. Married couples facing the tough decision of how to pay for one spouse's long-term nursing home care could be forced to spend down their assets in order to qualify for Medicaid coverage. In some states, that asset limit might be as low as \$2,000.

¹ Christine Benz, morningstar.com, August 2018, <https://www.morningstar.com/articles/879494/75-must-know-statistics-about-long-term-care-2018-edition>

² Genworth 2018 Cost of Care Survey, June 2018, <https://pro.genworth.com/rriiproweb/productinfo/pdf/131168.pdf>

³ https://www.longtermcarelink.net/eldercare/nursing_home.htm

Principal® is not providing legal, tax, or Medicaid planning advice. Medicaid rules are complex and vary by state. Consult with an elder-care attorney for advice.

Not FDIC or NCUA Insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any federal government agency

What's a Medicaid-compliant annuity and how can it help?

A Medicaid-compliant annuity is a single premium immediate annuity (SPIA) that's used to convert some of your retirement savings into income. Money in the annuity will not be counted as an asset when qualifying for Medicaid. So the spouse needing long-term or nursing home care can qualify for Medicaid, while the annuity provides a guaranteed stream of income for the other spouse.

Key requirements for a Medicaid-compliant annuity

A Medicaid-compliant annuity must meet certain qualifications. It needs to:

- ✓ Be irrevocable
.....
- ✓ Be non-assignable
.....
- ✓ Be actuarially sound
.....
- ✓ Provide equal payments (no deferral or balloon payments)
.....
- ✓ Name the state in which it is issued as beneficiary
 - States may allow the spouse, dependent children, or a disabled dependent be named as beneficiary.

So what does that mean to you? When you purchase a Medicaid-compliant annuity, you can't transfer ownership, cancel the annuity, or take money from the annuity beyond your regular income payments. And while the definition of "actuarially sound" might differ by state, it generally means annuity payments will not exceed the annuitant's life expectancy. Other exceptions or qualifications could be required by different states.

What's next?

We can't tell you if a Principal[®] Income Annuity with the Limitations Rider is the right solution for you. But we encourage you to ask.

You'll need to meet with an elder-care attorney licensed in your state. The attorney will determine if our contract with the Limitations Rider meets the Medicaid requirements of your state. If so, your financial professional can provide guidance on how to include it as part of your financial plan.

*Guarantees are based on the claims-paying ability of Principal Life Insurance Company.

The Principal® Income Annuity Limitations Rider

Below is a sample of the contract rider.

LIMITATIONS RIDER

This rider is part of the contract to which it is attached. If the terms of this rider conflict with the contract, the terms of this rider will control. The effective date of this rider is the same as the Contract Date as shown on the Data Pages.

CHANGE OF OWNER

If your contract includes a Change of Owner provision, it is deleted and replaced with the following. If your contract does not include a Change of Ownership provision, the following is added to your contract:

You are the Owner of this contract. The Owner may not be changed.

ASSIGNMENT

If your contract includes an Assignment provision, it is deleted and replaced with the following. If your contract does not include an Assignment provision, the following is added to your contract:

This contract may not be assigned, sold, forfeited, surrendered, revoked, or otherwise transferred. Annuity Income Payments may not be transferred, assigned, offered as collateral for a loan, accelerated, deferred, or commuted (except as required under the Internal Revenue Code).

PAYEE

If your contract includes a Payee provision, it is deleted and replaced with the following. If your contract does not include a Payee provision, the following is added to your contract:

You have designated a Payee. The Payee may not be changed.

TERMINATION

The election of this rider is irrevocable. This rider terminates when your contract terminates.



Chairman, President and CEO

Principal Life Insurance Company
711 High Street
Des Moines, Iowa 50392-0001

SF 1010

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You'll need to actively elect the Limitations Rider when establishing your contract; it's not issued by default.

Neither the Liquidity Rider nor the Annual Increase Rider are available if the Limitations Rider is chosen.

You are entitled to a free examination period after purchase of your annuity and rider to make sure you are satisfied with the contract. Talk with your financial professional about how this works.

The Limitations Rider is not available in New York.

Consult with an elder-care attorney

Ask your attorney to complete the following information, and detach and return this form to your financial professional. The form must be signed and dated by your attorney and will need to be included with your annuity application. Your financial professional can help you with the application process. Keep a copy of this form for your records.

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1 Contract owner: _____

Date of birth: _____ Sex: M F

Street: _____

City: _____ State: _____ Zip: _____

2 Annuitant: _____

Check here if owner and annuitant are the same person. If not, please complete information below.

Date of birth: _____ Sex: M F

Street: _____

City: _____ State: _____ Zip: _____

3 Primary beneficiary: _____

This beneficiary designation is irrevocable.

4 Contingent beneficiary: _____

This beneficiary designation is irrevocable.

5 Payee: _____

Street: _____

City: _____ State: _____ Zip: _____

6 Tax status: Qualified Nonqualified

7 Premium (dollar amount to be paid into the annuity): \$ _____

Note to attorney: The following fields are optional. Provide guidance if you have specific recommendations.

8 Payout option:

9 Income start date: _____

10 Frequency of payments: Monthly Quarterly Semiannual Annual

Attorney signature: _____

Printed name: _____

Date: _____



Limitations rider not available in New York.

Contract rider descriptions are not intended to cover all restrictions, conditions or limitations. Refer to rider for full details.

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