

## Washington State's New Long-Term Care Payroll Tax

By James B. Twining, CFP®

Our advisors are fielding many questions about the new Long-Term Care payroll tax which goes into effect on January 1, 2022. We thought it timely to remind our clients who are still working that this may cost you, and there may be something you can do to control the damage. While the space available in this newsletter is too limited for a full treatment, you can visit our website at [www.FinancialPlanInc.com](http://www.FinancialPlanInc.com). Under WHAT TO KNOW, select our BLOG to read a few articles we have written on this topic.



The new rule states that any employee who does not have a personal, long-term care policy in place by November 1, 2021, is required to pay a .58% payroll tax and enroll in the new Washington State plan. If the employee pays this tax for a minimum of 10 years, or 3 of the past 6 years, waits until at least 2025, and maintains residence in the state of Washington, they may qualify for a long-term care benefit of up to \$36,500. For context, that amount will currently pay for approximately 3 months in a nursing home.

The question becomes: Do I simply pay the tax, or do I opt out by buying a personal policy? Everyone has a different set of circumstances including the ability to qualify for personal coverage based upon health, the number of years until retirement, and the amount of earnings. There is no shortcut to determining the best path for you. The advice is to have your advisor run the numbers and give you guidance that is tailor-made to your situation.

If I were to generalize, I would say that if your annual earnings exceed \$100,000, and if you have over 10 years until retirement, you should take a close look at opting out. If your earnings exceed \$200,000, you are almost certainly wise to opt out if you can qualify.

If you decide to pursue personal coverage, we will refer you to an insurance agent specializing in long-term care. Unless you have that rare situation that calls for a significant amount of coverage, we will make sure the agent understands that the goal is to contain costs, and that is done by securing the minimum amount of coverage possible. The minimum coverage that we can find today provides a \$72,000 benefit: roughly double that of the state plan.

## You're Invited to Get Shredded!

**WHAT:** Bring your boxes and bags of papers for shredding. Stay and enjoy some delicious shredded BBQ, smoked by our advisors!

**WHEN:** Wednesday, August 4th. Stop by anytime between 5-8 pm.

**WHERE:** The Financial Plan parking lot! 2115 Barkley Blvd. Bellingham.

**WHO:** You, your kids, your friends! Please RSVP so we can plan for numbers.

RSVP by July 30th to [Stephanie.Wolf@FinancialPlanInc.com](mailto:Stephanie.Wolf@FinancialPlanInc.com) or by calling the office at (360) 714-1234.



## Say Hello to Karen Gebhardt!

We are thrilled to introduce you to the friendly face behind the front desk (and voice answering the phone). Karen Gebhardt joined our team in June and has quickly made herself part of the family, taking over all phone, front desk, and reception responsibilities. Karen holds a degree from WWU in Business Administration with a concentration in Marketing and has spent the last 28 years working in advertising and customer service at the Bellingham Herald. You will quickly notice her acumen for friendly and helpful customer service. Outside of work, Karen enjoys walking the Lake Padden trails with her two dogs (Tikka and Bear) and golfing with friends and family: husband (David) and two daughters (Kaitlin and Ally). In fact, the Gebhardt family hosts an annual charity golf tournament benefitting Hospice in honor of Karen's mother-in-law. This May, they celebrated 22 years of successful tournaments! Please join us in warmly welcoming Karen to the FP Inc family!