

Can an IRA affect Medicaid Long Term Care eligibility?

In the best interest of their clients, Financial Advisors are often times concerned about how retirement accounts like 401Ks and IRAs will affect Medicaid Long Term Care eligibility. Will the client receive advice from an Elder Law Attorney to liquidate the account? Are the tax consequences of that liquidation outweighed by the benefits Medicaid will pay for the needed care?



CONSIDER SAM & ROSE:

Sam and Rose are in their early seventies, and between them have six children. They moved here from Pennsylvania thirteen years ago to enjoy their retirement years near our beaches.

Two years ago Sam's health began changing and what began as mild changes in his cognition turned in that short time to concerns with dementia and a need for in-home care givers. Sam needs prompting to remind him of daily activities of living, like bathing and dressing, and struggles to

transition to different rooms in the home without assistance. Equally as important, Rose, as primary caregiver, needs respite and time to be involved in the community or get a pedicure with a girlfriend, knowing that Sam is well cared for at the same time.

In our role to help clients immediately shelter their assets and simultaneously find payor sources for the care that is needed, we think of the Medicaid Long Term Care program. This broad benefit covers care costs only, so it is important to shelter a nest egg to support the healthy spouse, and have funds available to cover all other necessities like glasses, hearing aids, wheelchairs, clothing, etc. By following the Federal and State laws, we can shelter assets and also achieve eligibility for the benefit.

Rose came to us for advice about updating her estate planning documents, hopeful that she could use tools like Trusts to plan ahead. Upon realizing that we could help shelter most of their marital assets, get Sam eligible for Medicaid Long Term Care, and begin receiving care very quickly, Rose took us up on the help!

Among the assets in their nest egg, Sam owned an IRA worth \$339,412.00. Medicaid rules simply state that an applicant cannot have any more than \$2,000-\$2,500 to their name, depending on where they live.

As Sam's Agent named through his Power of Attorney, should Rose liquidate his IRA?

If an Elder Law Attorney were to suggest a liquidation, their goal might be to have Sam's name removed from the account and through Rose shelter what is now an

easier asset; cash. However, if this recommendation were made, Sam and Rose could estimate a tax consequence in the ball park of **\$112,000!**



Often times the tax consequence is outweighed by the total benefit paid by Medicaid Long Term Care.

BUT IS THERE A BETTER WAY?

Our specialized knowledge in the area of Elder Law creates the expertise for our Attorneys to study and implement different options for our clients' retirement accounts. One consideration

What makes this possible for Rose?

Sam had a thorough, up-to-date, and broad Power of Attorney! Are you confident that your clients can use the same adjectives to describe their POA?

that worked for Sam and Rose is the "name on check" rule. Instead of liquidating Sam's IRA, we helped Rose convert the IRA into a Medicaid Compliant Annuity that designates Rose as the irrevocable payee. Medicaid can now appropriately determine that Rose is the owner of

the monthly Annuity income, and Sam becomes eligible for the needed care benefit. Rose as the sole owner can now re-invest the income from the IRA rollover if she chooses.

PROCINO-WELLS & WOODLAND'S GOALS

1. Our clients receive the care that they currently need, rather than delaying care for financial reasons.
2. Our clients shelter the maximum amount of their savings.
3. The professionals in our clients' network are included in planning; i.e. facilities and home care agencies receive payment, tax consequences are considered and financial advice is calculated into the plan.

How could my clients avoid this crisis planning? Consider pre-planning!

How many of your clients have a properly funded Asset Protection Trust? Do you know the benefits? How would Sam and Rose's story have changed with an Asset Protection Trust in place?

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