Take Charge of Your Money

A University of Hawai'i Cooperative Extension Service Project

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Course Objectives

- Increase your knowledge about financial planning
- Improve your ability to make informed decisions

Elder Law
Long-Term Care Planning

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Lesson Objectives

- Understand why is it important to plan for long-term care
- Learn about some common ways to pay for long-term care

Review of Financial Decisions

- Importance of planning for the proper management of your finances
- Several steps you can take on your own, such as setting up proper ownership of assets, and creating powers of attorney or trusts
- If you don't plan ahead, you may need a conservator to help out

Why Plan for Long-Term Care?

- Increased life expectancies
- Increased duration of chronic illness
- Increased costs of care

Traditional

- Traditional Estate Planning is Out of Date
  - Focus on tax
  - Taxable estates are rare
  - Long-Term Care (LTC) is highly prevalent

Ways to Pay

- Three ways to pay for Long-Term Care:
  - Private Pay
  - Private Insurance
  - Government Benefits

Private Pay

(2015)

- Application of Income
- Application of Assets
- Average costs vary, but plan for the high-side (about $15,000/month)

Long-Term Care Insurance

- Understand Premiums
- Understand Exclusion Periods
- Understand Coverage – what, where & how long and how much
- Explore hybrid policies

Government Benefits

- Veterans Affairs (VA) Benefits for veterans who are 100% service related disabled
- Primarily, Medicaid

Medicaid Eligibility

- Three-Part Test for Medicaid Eligibility
  - Medically Necessary
  - Income Test
  - Asset Test

Medicaid Income Test

(2015)

- Medicaid applicant keeps about $50 a month of own income; balance is applied towards the LTC bill
- Medicaid pays the rest
- For spouses, sometimes the spouse who does NOT need Medicaid is allowed to use some of the income of the institutional spouse to help avoid spousal impoverishment

Medicaid Asset Test

(2015)

- Applicant has no more than $2000
- Married couples may have $119,000 of assets, in the name of the healthy spouse
- Not counted against this $2000 limit:
  - Car
  - Burial plan/plot
  - Wedding ring
  - Household affects
  - Home that is NOT in a revocable trust

Medicaid Eligible

- Very strict rules
- Giving away assets within the eligibility limits may be penalized
- You must report any asset that you disposed of for less than fair market value within five years of the date of application

Medicaid Eligible Example

- The total value is divided by 8850 to calculate the number of months you will not qualify for Medicaid
- For example, if you give away your $885,000 home within 5 years of applying for Medicaid, you will have a 100 month penalty period

Medicaid Estate Recovery Lien

- Although your home is an exempt asset for determining your eligibility, the State has the right to attach a lien
- Every dollar the state pays for a Medicaid applicant’s LTC may be recovered from the home equity
- Proper planning is essential to help protect an estate

Conclusion

Plan for Long-Term Care

- Many ways to pay for it
- Carefully evaluate options
- Can have enormous impacts on the well-being of an estate, so professional assistance is important

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Credits

We would like to thank the following groups for their support:

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