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Preserve Your Family Wealth With Medicaid Planning

Even if you are eligible, you shouldn't rush into applying for coverage. Here are five scenarios to consider in your planning.

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At some point in our mid-sixties, our financial focus shifts from making more money to preserving the resources we have already accumulated.

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For many people who feel they have more than enough to live on, planning focuses on how to best transfer wealth to our children. Yet, with federal estate taxes only being assessed on individuals with more than $5,480,000 in net worth, **estate tax planning** has become a non-issue for most aging American parents.

What is relevant for family matriarchs and patriarchs is the fear that they may outlive their assets or become so infirmed that their last dollar is spent on home health aides or nursing home care. Indeed, wealth preservation planning has shifted from minimizing estate tax payments to Uncle Sam, to asking him to pay for long-term personal care by taking steps to become eligible for Medicaid.

Most people forget that their income and assets must be at a very low level to **qualify for Medicaid**. (Rules vary by state; see **www.medicaid.gov** for details.) Medicaid was created to help the financially indigent with their activities of daily living. Remember the word "indigent:" Medicaid is neither a right nor an entitlement, even if your tax dollars paid for the program. You have as much a right to be on Medicaid as you have the right to pilot an F-14 Tomcat fighter jet your taxes purchased.

Medicaid provides assistance for ongoing living needs, such as help walking, toileting, feeding, basically all of our necessary bodily functions we take for granted and don't really like other people helping us perform. These services may be provided by a home health aide, i.e. home care, or, in advanced cases, at a nursing facility, i.e. institutional care.

Medicaid also picks up some copays and other expenses Medicare leaves for us to pay, though Medicaid is considered the payer of last resort; you still would need to pay your Medicare Part B out of your Social Security if you apply for Medicaid.

Medicaid compliance requires a person to relinquish either income and assets or control over that income and assets. However, the majority of my prospective Medicaid planning clients are in their sixties or seventies, in good health, appear cognitively solid and have ample assets. They are just not ready to part with their income and assets, or control over them, since most still have healthy, active years ahead of them.

In many cases, their response to becoming Medicaid compliant is based on a recent trauma they endured caring for their own parent's age-related issues (dementia, Parkinson's disease, Alzheimer's, etc.). They want their own children to avoid the emotional turmoil and financial commitments they have just finished handling. In other words, many of the Medicaid prospects I meet are perfectly healthy adults who are worrying about transferring their wealth while they still have 30 years left to live.

Better than rushing into any decisions unnecessarily, here are some appropriate times and circumstances to begin Medicaid planning:

If You're Younger than Age 70 and Healthy

Healthy individuals or couples in their sixties should not commit themselves to transferring assets for at least another decade. At most, they should place their real estate and certain businesses in Medicaid-compliant trusts and use non-retirement assets for their discretionary expenses (since certain retirement assets are often excluded from Medicaid means testing).

If You're Younger than Age 70 and Not Healthy

Planning prior to age 70 may be appropriate when an aging family member or a couple has one partner diagnosed with a degenerative disease, such as Alzheimer's, lupus or multiple sclerosis. You still have some time, but due to five-year "look back" constraints for asset transfers, a comprehensive understanding of Medicaid is essential. As such, sick individuals should get educated on Medicaid requirements immediately upon diagnosis of a degenerative disease.

You Have High Income, But Low Assets

Large amounts of either assets or income can make a person Medicaid ineligible. However, while assets can easily be transferred to another family member, income is often not transferrable, and the amount of retirement income we receive is somewhat out of our control. Today's retirees often have pensions, Social Security and annuities generating income that will one day be given to nursing homes because income is hard to transfer to non-spousal family members. Younger pensioners with large monthly incomes should immediately explore ways to convert their large income to manageable assets that can be transferred to other individuals.

If You Have Disabled Minor Children

Medicaid planning for a disabled minor child should commence before the child reaches age 18, as courts grant guardianships more easily over people who have never had mental competency than those who have had it and lost it, and shall consider the future guardian's ability to apply for Medicaid. Benefits may be more easily procured under these circumstances.

If You Have No Spouse and No Children

Single individuals with no children should highly consider *not* pursuing Medicaid planning unless they feel it is imperative to preserve their extended family's wealth. While Medicaid may pay additional health care costs that Medicare does not provide, the personal care Medicaid provides tends to be inferior to what out-of-pocket care providers can offer you. These people should wisely use their assets for their own benefit-- superior out-of-pocket care with the knowledge that Medicaid may be available once these assets are depleted.

Trust me when I tell you: You are not old until you are in your nineties. (Try telling yourself that a few times every day; I guarantee you will feel better about life). Few people die in their sleep at age 75 anymore; we tend to live into our late eighties, age deeply and less gracefully, and eventually need assistance. Learning about Medicaid can be done at any time, but once steps have been taken to procure Medicaid you may not be able to undo your work. Do not be in a rush to give up your financial freedom.

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