

# The “Daily Plan-It™”

ESTATE & BUSINESS LAW GROUP, P.C.

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## Help Your Clients Pre-plan to Combat Rising Costs of Long-Term Care

One of the greatest challenges clients face is how to protect their families from the rising cost of long-term care, both for their elderly parents and for themselves when they reach retirement age.

For example, the average cost of staying in a Florida nursing home is between \$5,000 to \$6,500 per month, or about \$60,000 to \$78,000 per year. Since the average length of stay in a nursing home is 3 years, this quickly totals nearly a quarter of a million dollars. A family with a loved one in a nursing home would need about \$3 million in income-producing assets to avoid drawing on the principal.

That’s why it’s important for clients to start strategizing now to determine how they plan to pay for long-term care.

### Three Ways to Pay

Typically, there are three ways to pay for long-term care:

1. **Self Pay** – The patient will pay for the expenses out of pocket.
2. **Long-Term Care Insurance** – This is essentially a wager between your client and an insurance company. Your client pays premiums and is betting that he or she will eventually need nursing home care. The insurance company is betting that your client won’t need the coverage and that it can keep all the premiums.
3. **Medicaid** – This government entitlement program assists low-income seniors who need nursing care. However, medical costs have risen so dramatically that even middle-class patients can’t afford to pay. About 7 out of 10 nursing home patients receive Medicaid benefits.

### Consider an Asset Protection Trust

For clients who choose Options 1 or 2, you as an advisor can show them how to help their investments grow and how to insulate assets from creditors and lawsuits through pre-planning with trusts.

These clients can place assets into a customized trust that works as an asset protection trust. This type of trust can be used to help “pre-qualify” the family for Medicaid and be protected at the same time. They can receive income from assets in the trust and also have a legal “back door” to the principal if they ever need it.

### Not Poor, Not Rich Either

If your client is more likely to choose Option 3, then they should understand how Medicaid eligibility works. The rules are strict, but they are not impossible to meet.

Income is an issue, as well. This varies from state to state, but typically the limit is about \$2,000 per month. In addition, Medicaid reviews an applicant’s financial records for the five years prior to their application. The government searches for uncompensated transfers – money or assets given away for free.

What if your clients earn \$2,500 per month or \$3,500, or \$4,500? These amounts are not enough to pay for care, but they will disqualify someone from eligibility.

State by state, there are strategies that can help clients with too much income to qualify for Medicaid. Sometimes these are called a Qualified Income Trust or a Miller Trust.

There are a variety of tools available for pre-planning to cover the costs of long-term care, and as advisors we should encourage clients to act now rather than wait.

I hope this article is helpful to you and your clients. As always, should you have a question or concern about a specific case, please contact our office.

## Workshop Schedule

**The Truth about Estate Planning**  
Tuesday, July 14 – 7:00 pm

**IRA Preservation Planning**

*Learn how to properly protect your IRAs and what the IRA Preservation Trust can do!*

**Thursday, July 9 – 7:00 pm OR at a mutually convenient date in your office – you are welcome to invite your clients!**



*On February 8, 2006, President Bush signed into law the Deficit Reduction Act of 2005 (DRA 2005), which included the most sweeping changes to **Medicaid** laws ever enacted.*

**Medicaid Planning Workshop**

*The new Medicaid laws and some of the planning options that are still available, even in light of these sweeping changes.*

**Tuesday, July 21 – 7:00 pm**

**Registration:** Contact Mary Lang at (847) 367-4460  
<http://eblawgroup.com>

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We invite you also to direct your clients to  
[http://eblawgroup.com/FAQ\\_medicaid.htm](http://eblawgroup.com/FAQ_medicaid.htm)  
for more information on Medicaid Planning.