



# Medicaid Planning

How to Keep Assets and Still Become Medicaid Eligible



### How you can keep assets and still become Medicaid eligible?

The number one question from people who need to get a loved one eligible for Medicaid is: How can we keep assets? Fortunately, if you do some careful planning, there are a few ways to increase the assets that an applicant can keep.

### What assets can you keep whether you are single or married?

The Medicaid laws that apply to a single person are very different than the Medicaid laws that apply to a married person. However, there are some laws that apply to both a single person and a married person.

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Regardless of whether you are single or married, generally speaking, you can become Medicaid eligible and keep the following assets:

- **Your home**
- **One vehicle**
- **Personal belongings**
- **Prepaid irrevocable funeral contract**
- **Life insurance with a face value of \$1,500 or less**
- **\$9,660**

These assets are known as “exempt” assets.

Many people wrongly assume that the remaining non-exempt assets have to be “spent down”; however, in many cases, we can preserve at least a portion and sometimes all of the remaining assets. To determine how best to maximize your assets, the first thing we look at is whether you own exempt assets, and if not, whether it makes sense to obtain exempt assets. For example, do you have a prepaid, irrevocable funeral contract? If not, we generally recommend that you purchase one. As another example, we discuss the condition of the home. Does it need a new roof? Does it need a new furnace? If so, we generally recommend that you purchase those items for the home so that the value of the home is increased.

### **What additional assets can you keep if you are married?**

If you are married, Michigan law provides that the “stay at home spouse” or “community spouse” may keep additional assets that equal the lesser of one-half of your non-exempt assets (sometimes referred to as your “counted assets”) or \$157,920 (this is the amount currently; however, this amount

changes frequently). The great news is that, most of the time we can help you keep the balance of your assets that exceed the amount that Michigan law determines the stay at home spouse can keep. We do this by purchasing a short-term Medicaid compliant annuity which converts the remaining assets exceeding the \$157,920 spousal allowance to a stream of income for the stay at home spouse.

For example, if a married couple has \$300,000 in non-exempt assets, the stay at home spouse would retain \$157,920 outright. The balance, \$142,080 can be used to purchase the short-term Medicaid compliant annuity converting the \$142,080 to a stream of income for the stay at home spouse for three months with payments of \$47,360 for these three months. This plan successfully retains all of the assets for the stay at home spouse.

### **What additional assets can you keep if you are single?**

If you are a single person who needs to become Medicaid eligible, you are faced with a dilemma: You can keep your home, but you only have \$9,660 to maintain your home. Where does the money come from to pay the property taxes, the home owners’ insurance, the utilities, etc.? Fortunately, there is a way that you can gift approximately 50% of your non-exempt assets and still become Medicaid eligible. This is accomplished by purchasing a short-term Medicaid compliant annuity.

In simple terms, you can give away approximately one-half of your non-exempt assets, and purchase a short-term Medicaid compliant annuity with the other half. The applicant is Medicaid ineligible for the period of time that the annuity pays out. During

this period of ineligibility, the monthly annuity payment, Social Security payment, and pension (if applicable) are used to pay the cost of the applicant’s nursing home care. Once the annuity is fully paid out, then the applicant is Medicaid eligible. The approximately 50% that is gifted (to a child or children, or whomever the applicant desires) can then be used to cover the costs of maintaining the home, or anything else for which you want to use the monies.

### **Let us help you**

Please note that the information provided in this brochure is very general. The Medicaid laws are complicated and change on a regular basis. In addition, Medicaid planning is time sensitive and completing a Medicaid application can be overwhelming. Many people who try to complete an application on their own spend months trying to compile the needed information only to find out that if they had consulted with an attorney earlier, they would have been able to preserve more of their assets.

If you have a loved one who needs to become Medicaid eligible, it is very important that you consult with us as soon as possible because timing is everything. We are here to help you with every aspect of the Medicaid process, including developing a custom plan to help you maximize the assets you can keep, assisting you with the spend down and liquidation of assets, compiling the information necessary for the Medicaid application, completing and submitting the Medicaid application and aiding you with annual follow-up to retain Medicaid eligibility.