Wealth Resources Network

The Wealth Achievement Center of CNY

PROTECTING YOUR WEALTH

Building wealth is not the only reason for good financial planning. Protecting the wealth you have already accumulated is also essential to the financial well being of your family.

One example of how to "protect wealth" is to have an adequate life insurance program. It is morally incumbent upon a wage earner who has a financial responsibility to a family that in the event of his or her death, the family's finances are protected. For families dependent upon two incomes, the need for life insurance may be nearly equal. Life insurance policies with waiver of premium benefit riders will continue to accumulate cash values during a disability.

LONG TERM CARE

An area of great concern to many families is the potential financial drain that a long term stay of a loved one in a nursing home can have on family finances. The current cost can run from $50 per day to over $200 per day. The period of care may extend for years, as is sometimes the case with Alzheimer's disease, arthritis or stroke.

The only answer, if you have not accumulated great wealth, is to purchase a long term care plan from a reputable insurance company. Of course, the insured must be healthy at the time of application for coverage and the present age plays an important part in determining the premium. From one company the non-guaranteed annual premium cost for $100 per day coverage ranges from $420 at age 55 to $3,680 at age 84. This illustrates the advantage of early purchase.

Buying this type of insurance is not easy! Two well known insurance companies have both recently discontinued all of their health products. Another company has increased the premium rates on nursing home policies each year for the previous three years. On the other hand, some very well respected insurance companies recently improved the provisions of their long term care policies. The premium cost is just one aspect, but there are other considerations you should review before making a commitment to this kind of policy.

The maze of "limitations" in policy language
Policy "exclusions" of coverage
Premium rate increase restrictions

These "exclusions," "conditions," etc. can be critical to your decision. As in any other type of insurance product, make a thorough investigation before you buy. Your insurance advisor or personal financial planner should be able to explain the details.

MEDICAID ELIGIBILITY

While we are on the subject of "protecting wealth" the requirements of who can qualify for Medicaid suggests a cursory review. The answer is, you must be nearly broke - with the exception of the equity in your home.

The requirements of who can qualify for Medicaid suggest a review since everyone is concerned with protecting wealth. The following is admittedly over simplified, but in essence (to qualify for Medicaid), if you are single you must be impoverished. If a person is married, the spouse may keep the family residence, a car and $65,000 in other assets. This amount will vary slightly by state of residence. The $65,000 in assets could not, by any investment available, provide sufficient income to pay for long term care of the spouse if needed later.

Under the present Medicaid "Rules of Eligibility" for married couples, there is not a distinction between joint assets with right of survivorship and those assets that are held individually. Joint assets do, however, generally avoid probate, but that is not much of a savings if they are consumed in order to qualify for Medicaid.

Much has been written about the advantages of joint and survivorship accounts, but Medicaid includes these kinds of funds in determining eligibility! Would it not be a wise financial planning strategy for elderly couples to have his and her assets in respective individual names? By doing so, at least half of their mutually accumulated wealth would be preserved in the event a costly and prolonged illness was to strike. This is essentially the same plan of action wealthy couples employ when structuring marital trust wills. The one advantage a joint and survivorship account admittedly has over an individual registration is that these funds avoid probate. However, if the size of the estate warrants, this can be easily overcome by using a contingency trust.

RESTRICTIONS ON GIFTING

Waiting until an illness starts to gift assets away (such as to children or grandchildren) may not be practical, since Medicaid rules will count everything a person owns — plus that which was previously owned within thirty months of application for benefits.

Therefore, if there are not sufficient assets or income, and if long term care insurance is not available, it may be appropriate to consider the transfer of assets to other family members. The government has recently added severe penalties for any one assisting a person in hiding property or non-disclosure of any transfers that have been made for the purpose of qualifying for various types of aid.

The above is merely a brief overview. Your personal circumstances may dictate a completely different plan of action. Be sure to consult your attorney and personal financial advisor before you change or even modify your financial affairs.

This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.