

# Planning for a Married Couple

## Double Gifting Plan







When both spouses are residing in a nursing home, they can still protect their assets using Medicaid Compliant Annuities. If you have a client in this situation, consider using the Double Gifting plan.

### MEET RICK (85) AND MARY LOU (85)

Rick has been in a nursing home for a few months, and now their children are forced to move Mary Lou into the same facility. Afraid of running through the couple's savings at an expedited rate, the family turns to a local elder law attorney for help.



### CASE FACTS

 <b>Rick's Income</b> \$2,400	 <b>Mary Lou's Income</b> \$2,200
 <b>Rick's Cost of Care</b> \$8,500	 <b>Mary Lou's Cost of Care</b> \$8,500
 <b>Divestment Penalty Divisor</b> \$8,000	 <b>Total Assets</b> \$284,000

### GOAL

Obtain Medicaid eligibility for both Rick and Mary Lou as quickly as possible while preserving their assets and creating a wealth transfer to their children.

### SOLUTION:

*Rick and Mary Lou gift a portion of their countable assets to their children and each purchase a Medicaid Compliant Annuity with their remaining assets. They use the MCA payments to help pay for their care during their penalty period, after which they will become eligible for Medicaid benefits.*

## 1 Determine the Spend-Down Amount

The couple is allowed to keep \$3,000 in countable assets as their resource allowance. This leaves \$281,000 for them to spend down.

Countable Assets:	\$284,000
Couple's Allowance:	- \$3,000
<b>Spend-Down Amount:</b>	<b>\$281,000</b>

## 2 Implement the Annuity Plan

For the plan to work effectively, the MCA terms must run congruently with the penalty period caused by the gift to their children. Using a proprietary formula outlined to the right, start by calculating the burn rate—the amount the couple will burn through during each month of the plan—then, the plan length. The length of the plan is rounded up to the nearest whole number—10 months.

To determine the gift amount, the length of the plan is multiplied by the combined Divestment Penalty Divisor for a total gift of \$160,000. The gift is then subtracted from the spend-down amount to determine the amount funded into the MCAs, which is \$121,000 total. To account for the difference in income, Rick will fund \$59,500 into his MCA, and Mary Lou will fund \$61,500 into her MCA.

Combined Cost of Care:	\$17,000
Combined Income:	- \$4,600
Income Shortfall:	\$12,400
Combined Divisor:	+ \$16,000
<b>Burn Rate:</b>	<b>\$28,400</b>
Spend-Down Amount:	\$281,000
Burn Rate:	÷ \$28,400
Length of Plan:	9.89 Mo
<b>Round Up:</b>	<b>10 Mo.</b>
Length of Plan:	10 Mo.
Combined Divisor:	x \$16,000
<b>Gift Amount:</b>	<b>\$160,000</b>

## 3 Apply For Medicaid

After making the wealth transfer to their children, Rick and Mary Lou each purchase MCAs and apply for Medicaid. Rick's MCAs will pay \$5,960 per month for 10 months, which increases his total monthly income to \$8,360. Mary Lou's MCA will pay \$6,160 per month for 10 months, which increases her monthly income to \$8,360. Since each of their income is less than \$8,500—the private pay rate of the nursing home—they are considered otherwise eligible for benefits.

During the penalty period, Rick and Mary Lou will each have a monthly income shortfall of \$140, which they can cover using their resource allowance or with some help from their children.

<b>Single Premium</b>	<b>Period Certain</b>
RICK \$59,500	RICK 10 Months
MARY LOU \$61,500	MARY LOU 10 Months
<b>Monthly Payout</b>	<b>Total Payout</b>
RICK \$5,960	RICK \$59,600
MARY LOU \$6,160	MARY LOU \$61,600

## ECONOMIC RESULTS



Beginning in month 11, Rick and Mary Lou will be eligible for Medicaid benefits.



Rick's monthly Medicaid co-pay will be \$2,325, and Mary Lou's will be \$2,125, which equals their income minus their Personal Needs Allowance of \$75.



Rick and Mary Lou make a wealth transfer of \$160,000 to their children, which is over half of their spend-down amount.



If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in about 16 months.



## Additional Considerations

If either Rick or Mary Lou predecease the 10-month plan, they will not have gained any economic benefit.

If their cost of care increases or they have unexpected medical expenses during the penalty period, their children may have to use some of the gifted funds to help cover these costs.

## PLANNING TIPS



Since the client's income cannot exceed the private pay rate of the facility, leave a shortfall of about \$100-\$200 to ensure they are well below their income threshold.

Each facility has its own private pay rate, so your client must contact their facility to get the rates for their specific room.

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