

Planning for a Married Couple “Name on the Check Rule”

MEET LEIF (83) AND KRISTINE (83)

Kristine has been diagnosed with Parkinson’s and must enter a nursing home. Her husband Leif is worried the monthly bill will quickly deplete their life savings, and they may face significant tax consequences if Kristine liquidates her \$130,000 IRA, so he seeks a local elder law attorney for help.



CASE FACTS



Leif’s Income
\$2,500



Assets
\$400,000



Kristine’s Income
\$2,400



Cost of Care
\$10,500

GOAL

Obtain immediate Medicaid eligibility for Kristine while avoiding the large tax consequences of liquidating her IRA and ensuring Leif has enough income to live comfortably at home.

SOLUTION:

Kristine and Leif purchase separate Medicaid Compliant Annuities to spend down their excess countable assets and accelerate Kristine’s eligibility for Medicaid benefits. Using the “Name on the Check Rule,” all MCA payments will be made payable to Leif to maintain his lifestyle in the community.

1 Determine the Spend-Down Amount

Leif can keep up to half the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of \$162,660. To avoid the edge of eligibility, he will keep \$160,000, and Kristine will keep \$2,000 as her Individual Resource Allowance, so they must spend down \$238,000.

Countable Assets:	\$400,000
Leif's CSRA:	– \$160,000
Kristine's Allowance:	– \$2,000
Spend-Down Amount:	\$238,000

2 Implement the Annuity Plan

The couple purchases two annuities. First, Kristine funds her IRA of \$130,000 into a tax-qualified MCA owned by her but made payable to Leif using the “Name on the Check Rule.” At age 83, Kristine's IRA-MCA is structured using her full life expectancy of 7.79 years or 93.48 months. Next, Leif funds the remaining spend-down amount of \$108,000 into a non-qualified MCA owned by and made payable to him. Leif and his attorney agree to utilize a 36-month term.

Single Premium	Period Certain
KRISTINE \$130,000	KRISTINE 93 Months
LEIF \$108,000	LEIF 36 Months
Monthly Payout	Total Payout
KRISTINE \$1,410	KRISTINE \$131,130
LEIF \$3,010	LEIF \$108,360

3 Apply For Medicaid

After they purchase the MCAs and eliminate their excess countable assets, Kristine is immediately eligible for Medicaid. With the MCA payments, Leif's total monthly income increases to \$6,920. This amount exceeds the maximum Monthly Maintenance Needs Allowance (MMNA) of \$4,066.50, so he does not receive an income shift from Kristine. Kristine's monthly Medicaid co-pay is \$2,325, which equals her income of \$2,400 minus her Personal Needs Allowance of \$75.

Leif's Income:	\$2,500
MCA Income:	+ \$4,420
Leif's New Income:	\$6,920
Kristine's Income:	\$2,400
Personal Needs Allowance:	– \$75
Kristine's Medicaid Co-Pay:	\$2,325

ECONOMIC RESULTS



Since Kristine's Medicaid co-pay is only \$2,325, the couple saves \$8,175 per month compared to her original cost of care.



Leif's monthly income increases from \$2,500 to \$6,920.



Using the "Name on the Check Rule" to make the MCA payments payable to Leif saves Kristine from incurring the tax consequences of liquidating her IRA while also preventing the MCA payments from being part of her monthly Medicaid co-pay.



If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in about 22 months.



Additional Considerations

If Leif predeceases his MCA term, the remaining balance will be subject to recovery by the state Medicaid agency. If he predeceases Kristine's MCA, the payments will revert to her, thus increasing her Medicaid co-pay.

If Leif predeceases Kristine and Kristine predeceases her annuity term, the state Medicaid agency will be eligible to recover the remaining benefits from the MCA as contingent beneficiary.

PLANNING TIP



Plan conservatively when considering the "Name on the Check Rule." Always structure the IRA-MCA using the institutionalized spouse's full Medicaid life expectancy. Also, be sure to check with our office on how the strategy has been treated in your state before proceeding with your first case.

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