

# Planning for a Single Person Standalone Plan

## MEET PIERCE (86)

Pierce's health is quickly deteriorating, so he must enter a nursing home. Rather than lose his life savings paying the monthly bill, Pierce wants an opportunity to pass along an inheritance to his children. He turns to a local elder law attorney for help.



## CASE FACTS



Pierce's Income  
\$1,900



Assets  
\$180,000



Medicaid Rate  
\$7,200



Cost of Care  
\$9,500

## GOAL

Obtain immediate Medicaid eligibility for Pierce while preserving his assets and creating a wealth transfer to his intended heirs.

## SOLUTION:

*Pierce purchases a Medicaid Compliant Annuity to spend down his excess countable assets and gain immediate Medicaid eligibility. Rather than pay the private pay rate of the care facility, Pierce will be responsible for covering the Medicaid Reimbursement Rate, which the state Medicaid agency can recover upon his passing. His remaining assets will then be left for his children.*

## 1 Determine the Spend-Down Amount

Pierce is allowed to keep \$2,000 in countable assets as his Individual Resource Allowance. After subtracting his allowance from his total assets of \$180,000, Pierce must spend down \$178,000.

Countable Assets:	\$180,000
Pierce's Allowance:	– \$2,000
<b>Spend-Down Amount:</b>	<b>\$178,000</b>

## 2 Implement the Annuity Plan

Pierce funds his spend-down amount of \$178,000 into a Medicaid Compliant Annuity, converting his excess assets into an income stream. To minimize the monthly payout, the annuity term is structured using Pierce's full life expectancy. At 86 years old, his Medicaid life expectancy is 5.34 years, or 64.08 months, rounded down to 64 months.

<b>Single Premium</b>	<b>Period Certain</b>
\$178,000	64 Months
<b>Monthly Payout</b>	<b>Total Payout</b>
\$2,800	\$179,200

## 3 Apply for Medicaid

Pierce is immediately eligible for Medicaid benefits, and his total income increases to \$4,700. After subtracting his Personal Needs Allowance of \$75, his monthly Medicaid co-pay is \$4,625. Since the Medicaid Reimbursement Rate at the facility is \$7,200, Medicaid is expending the difference of \$2,575 on Pierce each month. Pierce passes away after 12 months. The state Medicaid agency, as primary beneficiary, can recover \$30,900, which equals the total amount of benefits paid on Pierce's behalf.

After subtracting Medicaid's claim and the \$33,600 in total annuity payments from the MCA investment, the resulting figure of \$113,500 is available for Pierce's contingent beneficiaries—his children.

Pierce's Income:	\$1,900
MCA Income:	+ \$2,800
Pierce's New Income:	\$4,700
Personal Needs Allowance:	– \$75
<b>Pierce's Medicaid Co-Pay:</b>	<b>\$4,625</b>
Medicaid Reimbursement Rate:	\$7,200
Medicaid Co-Pay:	– \$4,625
<b>Monthly Difference:</b>	<b>\$2,575</b>
	<small>(Paid by Medicaid)</small>
MCA Investment:	\$178,000
Medicaid's Claim:	– \$30,900
MCA Payments Made:	– \$33,600
	<small>(\$2,575 x 12)</small>
	<small>(\$2,800 x 12)</small>
<b>Residual Balance for Children:</b>	<b>\$113,500</b>

## ECONOMIC RESULTS



After becoming eligible for Medicaid, Pierce saves \$2,300 per month on care costs. This reflects the difference between the private pay rate of \$9,500 and the Medicaid reimbursement rate of \$7,200.



After residing in the nursing home for 12 months, Pierce makes a wealth transfer of \$113,500 upon his passing, which is almost 64% of his spend-down amount.



If Pierce had done nothing, he would have exhausted his entire spend-down amount in 18 months.



## PLANNING TIP



The economic benefit of the Standalone Plan depends on the individual's lifespan. The longer they live, the more is due to the state Medicaid agency and the fewer residual benefits are available for the contingent beneficiary. Therefore, make sure your client understands the success of this strategy cannot be guaranteed.

## Additional Considerations

If Pierce lives longer than 33 months, the state Medicaid agency's claim will exceed any residual balance in the annuity.

If Pierce's longevity was questionable, his attorney may have opted to proceed with the Gift/MCA Plan instead, since that strategy creates a guaranteed and immediate wealth transfer.

[krausefinancial.com](http://krausefinancial.com) | 1234 Enterprise Drive, De Pere, WI 54115

**p** (866) 605-7437 | **f** (866) 605-7438 | **e** [info@krausefinancial.com](mailto:info@krausefinancial.com)

This Content is provided solely for non-commercial, educational purposes and shall not be duplicated, distributed, or transferred in whole or in part, nor any derivative works made, without prior written permission from Krause Brokerage Services. ©Krause Brokerage Services 2026