

## Protecting assets from long-term care expenses

Financial planning involves so many more issues than just finance. Having a team of advisors working together to protect your assets is as important as managing the accrual of those assets. Here's a case that illustrates my point.

Initially, Bruce and Catherine Volker's\* goal was to increase their assets in retirement. Our focus quickly changed to asset protection when Bruce expressed concerns about Catherine's memory loss. Like many people, the Volkerts knew that years of long-term care costs could deplete their life savings of around \$500,000 very quickly. Our goal was to create a strategy to protect their assets in case Catherine had to go to a nursing home.

First, I introduced them to an elder law lawyer, Leigh Bennett, to update their wills, powers-of-attorney and health care directives. In reviewing their situation, I asked about long-term care insurance. That hit a nerve with Bruce and he told me that he had been so annoyed by the premium increases on Catherine's long-term care insurance, he had cancelled the insurance! I looked at Catherine and realized she would never qualify for long-term care insurance again and Bruce suddenly realized how valuable that policy was. Luckily, we were able to reinstate the policy. Had we waited even one more day, the insurance would have been gone forever. That policy is currently paying \$48,000 a year toward Catherine's \$84,000 annual long-term care costs. Without it they would have been forced to liquidate investments to pay for her care.

Next, we consolidated their assets into a brokerage account where all their CD's, investments and money markets could be held in one place and would be easy to manage in case the power of attorney or executor needed to take over.

Sadly, earlier this year Bruce found out he has terminal lung cancer. His attitude is great and his focus right now is on publishing a book of poetry and starting a new one. Even though most lung cancer patients don't live for more than a year after diagnosis and it may take Bruce two or three years to write another book, it doesn't stop him from pursuing his passion. It gives him a lot of joy to share his poetry and having something to strive for gives him purpose every day and keeps his spirits up. It's a great lesson to always have goals, even when you're 87 years old!

When I happened to mention Bruce's terminal illness to Leigh, another issue became apparent. Upon his death, Bruce's pension will end and Catherine's nursing home expenses will quickly deplete their life savings. Leigh suggested an estate planning strategy that would allow Catherine to become eligible for Medicaid immediately after Bruce's death. Doing so would preserve their assets to supplement Medicaid and since their assets were consolidated into a brokerage account, making the changes Leigh recommended were easy to implement.

The law allows people to shelter assets and still qualify for Medicaid; however, it's important to work with a qualified elder law lawyer to do this. If you are concerned that someone you love may need long-term care, it's important to begin planning early. Having adequate long-term care insurance is the best strategy but if a person can't afford the premiums or wouldn't qualify for the insurance, there are legal strategies that can be used to protect assets.

Key points to remember:

- A good financial advisor knows elder law planning issues and can help you form strategies that will work to your advantage.
- Mention your financial concerns to your advisor. For example, no one likes to pay insurance premiums, especially when they keep going up. But don't just drop coverage. Some insurance is easily replaced, some is not. Your financial advisor can help you understand your options.
- Make sure that your lawyer, CPA and financial advisor collaborate to help you. Each professional has a unique perspective and can see pitfalls and opportunities. When they work together, you get the best advice and can often avoid problems.

\*Names changed to protect privacy.