



SENIOR CITIZENS

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The Official Publication for the NC Senior Citizens Association

Volume 26, Issue 8 • [www.NCseniorcitizens.org](http://www.NCseniorcitizens.org) • 1-800-323-6525, ext. 30



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## Estate Planning Matters

# Common Misconceptions About Estate Planning

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The following are some widespread misunderstandings regarding estate planning:

- **Estate planning equates to drafting a will.** While a will may be an integral part of an estate plan, an estate plan can (and should) include much more. A will simply indicates how assets are to be distributed upon an individual's death, whereas an estate plan is a comprehensive approach for maintaining one's estate for the benefit of their heirs.
- **Estate plans come into play at death.** While many components of an estate plan may take effect upon an individual's death, other components may also be used during one's lifetime. A well-rounded estate plan will contain provisions to address handling the medical and financial affairs should the individual become incapacitated.

- **Those with jointly held assets don't require an estate plan.** Although holding assets jointly may allow probate to be avoided (at least until the death of the last surviving owner), there may be issues with estate or gift taxes or creditors that having an estate plan may mitigate. Additionally, without an estate plan, upon the death of an owner of jointly held assets, surviving owners will automatically become owners of the deceased's portion. This may not be the intention of the decedent.

"Common sense" will dictate who receives an individual's assets upon death. While true, if one dies without an estate plan, state statutes will dictate how assets are to be distributed, state laws may not be aligned with an individual's goals. To make sure one's intended heirs receive their inheritance, the services of an estate planning professional should be secured.

Source: *www.PressandGuide.com* 11-12-06

### REVIEW OF RECENT CHANGES TO MEDICAID

If you believe Medicaid will cover your long-term care needs, you may be interested to learn how Medicaid was impacted by passage of the Deficit Reduction Act (DRA), signed by President Bush in February of last year.

While the basic income and savings (about \$2,000 in assets excluding a residence) allowances for applicants changed slightly, there are

some very important changes that will impact how you will plan for long term care.

Prior to enacting the DRA, the value of the home of an applicant was not considered. Now, if an applicant's home is worth more than \$500,000 (or \$750,000 in some states), the application is rejected. (The home value is not taken in to account if it is occupied by the applicant's spouse or dependent child.)

Additionally, before the DRA, an applicant's finances were reviewed for three years to determine how long the state would deny Medicaid coverage. Now the so-called "look back period" has been extended to five years.

On the brighter side, the DRA allows increased protection of assets for those applicants who purchased qualifying long-term care policies, and it also improves coverage for at-home care services. ■

Source: *US News & World Report* 11-19-06



*Jason Sutton, an Elder Law Attorney, is a member of the National Academy of Elder Law Attorneys, the North Carolina Bar Association, and the American Bar Association. He advises seniors on methods, procedures, and techniques to legally preserve and protect their estate. This is achieved by minimizing their estate tax burden, protecting their assets from high costs associated with estate administration and protecting their life savings and their family home from the cost of nursing home care.*

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