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Estate Planning Matters

Medicaid Planning

MEDICAID FRIENDLY ANNUITIES & ENDOWMENT POLICIES

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There are two increasingly popular long-term care planning strategies currently available to families in North Carolina - Medicaid Friendly Annuities and “No Cash Value” life insurance endowment policies. However, these legal strategies are not right for everyone.

MEDICAID FRIENDLY ANNUITIES (MFA)

First of all, a Medicaid Friendly Annuity (MFA) is primarily used with a married couple when one spouse needs nursing home care.

In order for an annuity to be “Medicaid friendly” it must be an immediate annuity that is irrevocable, non-assignable and non-transferable and the income payments must be based on the life expectancy (as determined by the Social Security Administrative Mortality tables) of the “at home” spouse.

Secondly, **not all annuities are “Medicaid friendly!” Therefore, it is very important to seek legal advice when researching MFAs.**

The following is a “real-life” example of how I’ve helped my clients by using a MFA:

- Wife was at home, husband was in a nursing home;



- The couple had \$300,000 in savings;
- **WITHOUT** using a Medicaid Friendly Annuity, the couple was spending \$7,500 per month for the husband’s nursing home care and wife’s living expenses (*which would have completely exhausted their life savings in less than 4 years*);
- **WITH** a Medicaid Friendly Annuity, the couple was able to protect their \$300,000 life savings from the rising costs of nursing home care while the husband’s care was being covered by Medicaid.

“NO CASH VALUE” ENDOWMENT POLICIES

This type of planning is primarily used when a single, individual (no spouse) wants to protect his/her estate from the rising costs of nursing homes.

Basically, a “no cash value” endowment policy is a life insurance policy that is irrevocable, nonassignable and non-transferable and has no cash value.

The following is a “real-life” example of how I’ve helped my clients by using an endowment policy:

- Individual was in a nursing home paying \$5,000 per month

- Individual had \$150,000 in savings that would have been depleted in less than 3 years.
- With an endowment policy, the individual was able to protect her \$150,000 from the nursing home while her nursing home bills were being paid by Medicaid.

Again, these planning strategies are not right for every long-term care situation.

It is very important to work with an attorney who is knowledgeable in the field of Medicaid Planning. Don’t wait until you or a loved one has exhausted all of their assets on long term care.

If you are interested in finding out whether one of these asset protection strategies can benefit you and your family, please do not hesitate to call me for a **FREE** telephone consultation. The amount of assets that can be protected is unlimited (**we have helped families protect and preserve as little as \$30,000 and as much as \$1.5 million**).



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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