“Medicaid Annuities Help Protect Savings”....Kiplinger

A tactic to prevent unexpected nursing home care from evaporating the family nest egg.

Picture this: Your spouse has made a permanent move to a nursing home. You don’t have **long-term-care insurance**, **Medicare** won’t cover the cost, and you have too much money to qualify for Medicaid—but not nearly enough to afford the nursing-home bills. The monthly tab—easily $5,000 to $8,000 for a semi-private room—is rapidly depleting your nest egg. Now what?

This is where a Medicaid-compliant annuity might rescue your retirement. You buy an immediate annuity—owned by and payable to you—that meets a number of special requirements, transforming cash that would otherwise prevent your ill spouse from qualifying for Medicaid into an income stream that helps you preserve your quality of life. Medicaid starts covering the nursing-home stay, and your monthly bills become manageable.

For those who have the luxury of time, there are better ways to plan for long-term-care costs. If you’re relatively young and healthy, you may be able to get long-term-care insurance—or simply turbocharge your savings with the aim of self-insuring any long-term-care costs. But for couples in a crisis situation, who are watching their life savings evaporate as they pay nursing-home bills, a Medicaid-compliant annuity may be the only way to preserve a livable income for the spouse who remains at home. Medicaid recipients generally cannot have more than $2,000 in cash. But when one spouse enters a nursing home and the other remains in the community, a number of special rules apply. The healthy spouse can keep a certain amount of assets, which varies by state but runs as high as $120,900 in 2017. (Bank accounts and investments—including IRAs, in most states—count toward that threshold. Your primary residence, household items, personal effects, car, a limited amount of life insurance and a prepaid burial plan typically don't count.)

The healthy spouse's income isn't counted when determining Medicaid eligibility. And while the Medicaid recipient generally must use his available income to pay for his care costs, the healthy spouse can keep some or all of that income—as much as $3,023 a month in 2017—if she otherwise would not have enough to live on. Couples trying to squeeze under Medicaid's asset limits are confronted with difficult choices: They can spend down their life savings, leaving little for the healthy spouse to live on, or the couple can give away money, which will trigger a period of Medicaid ineligibility if the gift is made less than five years before applying for Medicaid. A properly structured Medicaid-compliant annuity can reduce the need for such drastic measures.

A Life Preserver for the Healthy Spouse

Medicaid-compliant annuities must be single-premium immediate annuities and irrevocable, meaning the payment amount, duration of payments and parties to the contract can't be changed. Payments must be made in equal amounts and are typically guaranteed for a certain number of years, rather than for the rest of the annuitant's life. Generally, the state must be named as a beneficiary. So if you die before collecting all the guaranteed payments, the state can recover from the remaining payments some or all of the value of the Medicaid assistance provided. Who should consider a Medicaid-compliant annuity? People with moderate savings—perhaps $500,000 or less—who find themselves paying nursing-home bills out of pocket.