Top 10 "Don'ts" of Medicaid Planning

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<u>#1 = Don't Talk to the Medicaid Office</u>

In the past, people have reported going to the Medicaid Office to "just get information." They were then handed a form, asked to fill it out, and then sign at the bottom of the form. The case worker then turned to them and said "your application is denied." "What do you mean? We were just looking for information!" The case worker then points just above where they signed showing it was an application for Medicaid being signed under penalties of perjury. The confusion is understandable since they just went to the office just to get information, but ended up filing an application they never intended to. Now these same people can go to a Certified Medicaid Planner™ to get actual answers and develop a plan, but we're starting with one strike against us because there is already a denied application on file.

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#2 = Don't Just Do a Reverse Mortgage

At least not until you've spoken with a Certified Medicaid Planner™. While using a reverse mortgage to help pay for home health aides may sound like a good idea, it often complicates Medicaid Planning later. There are multiple options to keep the family residence from being lost to the nursing home, but most options are off the table unless the loan is repaid. Talking with a Certified Medicaid Planner™ can help look multiple steps ahead and plan accordingly.

#3 = Don't Start Gifting $15,000 A Year

People often confuse $15,000 a year gifts being exempt from federal gift *taxation* with gifts that are exempt from *Medicaid scrutiny*. They are not the same thing, and Medicaid counts all of those $15,000 transfers.

#4 = Don't Just Give the House to the Kids

While the transfer of real estate may be a good Medicaid Planning technique, all of the different consequences and the timing of the transfers need to be considered. On top of that, all of the paperwork needs to be handled in a way that can withstand Medicaid scrutiny. Since a house is usually one of the family's biggest assets, mishandling it may be one of the most expensive missteps around.

#5 = Don't Talk to the Medicaid Office (2nd Mention, SO this Is Important!)

In the past, people have gone to the Medicaid Office and have been told their loved one can "keep the house" and still qualify for Medicaid. While that is true, what the Medicaid office often doesn't tell you is that the house will receive a lien for the amount Medicaid pays out so when the kids sell the house, Medicaid has first dibs on the sales proceeds. There are ways to hedge against a Medicaid lien if the situation is handled properly with a Certified Medicaid Planner™.

#6 = Don't Use a Revocable Living Trust To Shelter Assets

While revocable living trusts are excellent estate planning tools for avoiding probate upon death, setting one up and putting your assets in it will not protect those assets from a Medicaid Spend Down. There are irrevocable trusts that can help shelter assets, but, like any tool, they have to be used properly.

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#7 = <u>Don't Follow Someone Else's Plan</u>

I sometimes hear, "Well, my neighbor just did these few things and it worked out fine." Unfortunately, there are so many variables involved in applying the 200,000+ rules of Medicaid that there is virtually no chance that any two situations are *exactly* the same. And all it takes is for one little thing to be off to have a devastating and irreversible Medicaid ruling.

#8 = <u>Don't Give Everything to the Kids</u>

Just giving everything to the kids and getting Medicaid the next day sounds too good to be true… because it is. Gifting may be a good technique, but only if it is handled in a coordinated way designed to qualify for Medicaid down the road. We have heard of too many instances where a family ended up having years of ineligibility because the parents gifted everything away and applied too early for Medicaid.

#9 = <u>Don't Spend Everything Down to $2,000</u>

While this probably would qualify someone for Medicaid, the family may be giving up *way more* than they need to before qualification. A Certified Medicaid Planner™ can help the family keep as much as the laws and regulations allow, which is often *way* more than $2,000.

#10 = <u>Don't Talk to the Medicaid Office (3rd Mention… this is VERY important!)</u>

Even after engaging a Certified Medicaid Planner™, talking directly to the Medicaid office without the planner or a member of their team can be disastrous. We heard of a family member directly calling the Medicaid office just to check on the status of a parent's case only to be lulled into conversation about the steps being taken. The family member inadvertently said something that unintentionally caused the application to be denied, costing quite a bit of money.

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