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# SET THE STAGE FOR MEDICAID ELIGIBILITY



## INTRODUCTION

Incapacity planning is a broad area of law that covers how you are cared for if you become physically or mentally unable to care for yourself. The type of care could range from simple tasks like buying groceries, paying bills, and handling financial matters to more important decisions such as selling real estate or gifting assets to your children.

Within the realm of incapacity planning, there are also arrangements that deal specifically with decisions regarding steps taken to obtain Medicaid benefits. A Trust with “Medicaid triggers” comes into play by allowing your Agent to move forward with decisions that you would have handled yourself, if you were still legally competent to do so. The types of decisions required in this area of planning can vary. For instance, you may outline instructions for a nursing home stay or the repositioning of assets to allow you to qualify for Medicaid while preserving assets for the next generation if you are single, and while protecting your spouse’s financial independence.

When you determine that you want to move forward with this type of planning, it is necessary to work with a qualified estate and elder law attorney. This attorney will find the optimal solutions for you in the event of your legal incapacity (defined as the inability to manage your own affairs). Because there is a 50-50 chance that the average adult will spend at least one year in a long-term care facility, it becomes painfully clear this type of planning is not only extremely important, but requires immediate attention to ensure you and your family protect your assets.

## AS WE AGE

Even with the knowledge that our life span is increasing, many of us will encounter chronic or debilitating illness in our final years. While these medical challenges can change our lives dramatically in the physical sense, they can also wreak havoc in our financial lives if we haven’t taken the appropriate measures to safeguard our wealth.

Nursing homes today can cost as much as \$96,000 per year or more, and a long-term stay can easily impoverish all but the wealthiest families. With proper planning, however, you can shelter assets and keep your family’s wealth intact. Keep in mind, that since there is no “one size fits all” solution, a careful analysis of your situation by a competent legal advisor is your best route for incapacity planning.

## WHEN SHOULD YOU PLAN?

The question of when to begin incapacity planning is fairly easy to answer. Since we cannot be sure how soon, how late, or even if tragedy will strike, implementing the necessary changes as soon as possible brings peace of mind knowing that you are covered should you become legally incapacitated.

## REASONS TO CREATE A FORMAL LEGAL PLAN

The reasons for incapacity planning are not vastly different than the ones behind creating a Will or a Living Trust. Let's review some of the general reasons why having a formal plan such as a Living Trust is so important. With a Living Trust, you can:

- Avoid the delay, time, cost and publicity of probate.
- Provide for a surviving spouse, other beneficiaries, or loved ones.
- Safeguard your children's inheritance from ex-spouses and creditors.
- Ensure that "special needs" beneficiaries or loved ones who receive government benefits do not lose these benefits such as Medicaid, SSI and In-Home Supportive Services.

## HOW IS INCAPACITY PLANNING DIFFERENT?

In the arena of incapacity planning, there are additional legal measures you can take to ensure your wishes are honored should you become legally incapacitated. This family of options includes the following:

- A Healthcare Power of Attorney (HPOA)—this type of POA outlines the specific medical decisions that you would like to see made in the event of your incapacity.
- A Durable POA for Property—this type of POA outlines what will happen with assets held outside your Living Trust upon incapacity.
- Gifting Language—special language that may be drafted and included with your Trust document and POA to outline your specific wishes. Most POA documents do not provide this special language. Without proper gifting language, it may not be possible to protect your home and other assets.
- Irrevocable Trust —these special trusts, properly planned and funded, can help preserve assets.

With the appropriate incapacity language in place, you can effectively designate who will manage your affairs if you become incapacitated. Using legal tools such as an Irrevocable Trust, Durable Power of Attorney, and gifting or sheltering plans, you can set the stage to allow your spouse or your children to properly manage your assets should you need nursing home care and be unable to do these things for yourself.

## ESTABLISH AN ESTATE PLAN

Regardless of how solid your health is today, there is no way to know what tomorrow brings. We invite you to take the time to discuss this important topic with us. Call our office today to schedule a meeting. In this meeting, we can address several issues including living probate and disability, Medicaid planning options, death probate and taxes.

With the proper plan in place, you can rest easy knowing that whatever the future holds, you have formally outlined your wishes and made the proper arrangements for you and your family.

## ABOUT OUR LAW FIRM

The Law Offices of Cheryl David is devoted exclusively to estate planning and elder law. We are members of the American Academy of Estate Planning Attorneys. We offer guidance and advice to our clients in every area of estate planning. This list offers a sampling of these services.

**Wills.** Prepare a Will or other document to outline your wishes.

**Revocable Living Trust.** Prepare comprehensive, customized plans according to your needs.

**Irrevocable Living Trust.** Prepare comprehensive, customized plans for your individual circumstances.

**Special Needs and Divorce Protection.** Protect loved ones and get informed advice on these important estate planning issues.

**Asset Protection.** Receive guidance on protecting your legacy.

**Retirement Planning.** Ensure that your tax-deferred accounts are properly structured to give your family the greatest tax advantages possible.

**Long-Term Health Care.** Make sure you have properly outlined necessary health care instructions.

**Creditor Protection.** Find out how you can protect your estate and your heirs.

**Structured Buy-Out Plans.** The plan you create for your children to sell or distribute land and assets.

**Trust Administration.** Distributing your estate after the first and second spouses pass away according to the way your Trust dictates.

**Advanced Planning.** Get assistance with matters such as Family Limited Partnerships, Irrevocable Life Insurance Trusts, Charitable Remainder Trusts and Business Succession Planning.

**Probate Assistance.** Get the assistance you need when someone with or without a Will passes away.

**Updating Documents.** Ensure that your affairs are in order with regular estate reviews. Amend or restate your existing estate plan to ensure its effectiveness.

**Tax Planning.** Preserve your wealth and re-duce taxes with proper planning.

*Our office is located at  
528 College Road, Greensboro,  
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*We offer comprehensive and personalized estate planning consultations.  
Please call us at (336) 547-9999 or visit us online at [www.cheryldavid.com](http://www.cheryldavid.com).*

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## **ABOUT THE AMERICAN ACADEMY OF ESTATE PLANNING ATTORNEYS**

This report reflects the opinion of the American Academy of Estate Planning Attorneys. It is based on our understanding of national trends and procedures, and is intended only as a simple overview of the basic estate planning issues. We recommend you do not base your own estate planning on the contents of this Academy Report alone. Review your estate planning goals with a qualified estate planning attorney.

The American Academy of Estate Planning Attorneys is a member organization serving the needs of attorneys committed to providing their clients with the best in estate planning. Through the Academy's comprehensive training and educational programs, it fosters excellence in estate planning among its members and helps them deliver the highest possible service to their clients.