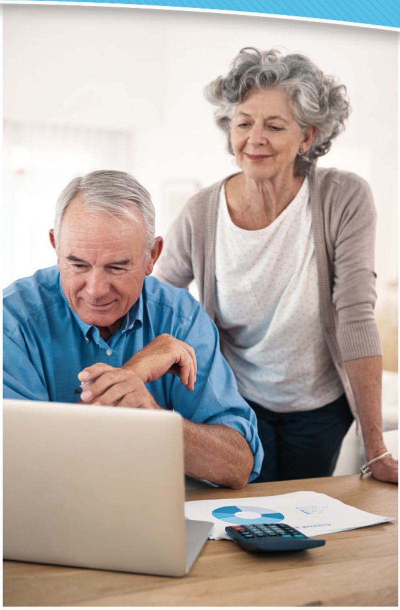
NORTH CENTRAL FLORIDA EDITION

TAX-FREE MONEY FOR LONG-TERM CARE!

A Consumer's Real-Life, Hands-On Guide To:

- Creating Tax-Free Money for Long-Term Care
- Using Your IRA for Long-Term Care
- Veterans Benefits for Long-Term Care
- Medicaid Eligibility
- and How to Legally Protect Your Assets



DON QUANTE & DAVID H. MORGAN

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DAVID H. MORGAN, MSFS, CEA, CFF, RMA

AFFC Publications • St. Charles, MO

TAX-FREE MONEY FOR LONG-TERM CARE!

This book is being given to

because I care about helping you and your family.

Tax-Free Money for Long-Term Care

For information, please contact Don Quante at ***don@donquante.com*** or call 1.800.800.6004.

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Dedication

This book is dedicated to the adult children, caregivers, and spouses of aging individuals, and will aid you in all you do to provide quality long-term care for your loved ones. Whether you are caring for a loved one who is confusing the microwave with the oven due to dementia, or you are helping your parent shower and dress each morning, your efforts do not go unnoticed.

This book is also dedicated to the incredible group of elder law attorneys, geriatric care managers, and financial advisors who have made it their passion to help families navigate the rough waters as they try to provide quality long-term care for their loved one without going broke in the process.

If you are reading this book, it has most likely been provided to you as a resource from one of these remarkable individuals.

Contents

Acknowledgments

I would like to express my deep sense of gratitude and affection to the people who have had the greatest influence on my personal, professional, and spiritual life in chronological order from their initial impact; my late mother, Barb Quante, for her dogged determination to remind me from the time I was a little boy that you can be anything you want to be if you try hard enough; my father, Don Quante, who modeled for me an incredible work ethic and taught me that a good sense of humor goes a long way; Charlie Costello, my first basketball coach, who taught me that, while winning is important, what's more important is how you play the game; Roy Kassebaum, my first boss, who taught me entrepreneurship; my last official boss, Doug Gritton, who taught me the lesson of being true to one's self; Barb Bott for her never ending administrative, moral and spiritual support over the last 28 years; and lastly, Rudy Beck, my dear friend, business partner, elder law attorney and co-author of this book.

In addition, this book itself could not have happened the way that it has without the unique energies and perspectives of Erin Stark, Monica Thomas, and the great people at TLC Graphics. Much credit is due to my editor, Valerie VanBooven, who has been a marvelous and patient instructor with regard to the art and craft of book writing, and Michelle Martin, who has played a vital role in continuing to update the information in this book.

My deepest thanks and love go out to my wonderful children Jessica, Ryan, and Allison for being so supportive and tolerating my incredibly long hours away from home. And last but not least to my wife, Sheila, for her trust, love, hard work, and the beauty and joy she has brought into my life. Without her holding things together at home, none of our success would've been possible.

Don Quante

INTRODUCTION

Lottie's Million Dollar Story

"If I only knew then what I know now." It's a phrase that most of us will use at least once—perhaps hundreds of times—as we age. We face a new situation with little knowledge and much trepidation, and inevitably, we discover that there was a better way to handle things.

Such was the case in my own experience with my grandmother. The year was 1983, and I was a little wet behind the ears in my new career as a financial planner. I was working at a large financial services firm in St. Louis, and though I had received the best training available in the industry from that company, I was completely unprepared for what my own family was about to go through.

A year later, my grandma—Lottie Holton—was diagnosed with Alzheimer's Disease. Although, at the time, grandma was only in the early stages of the disease, the doctor had told my mom that there was no way to tell how long she would be safe at home. In other words, there were decisions to be made and not a lot of time to make them.

Deciding how my grandma would be cared for was no small task. We needed to figure out what kind of care she would need, how we would pay for that care, and whether we had the legal authority to act on her behalf.

This is a dilemma many adult children face when mom or dad suffers a heart attack or stroke, takes an unexpected fall, or in my grandma's case, is diagnosed with an ultimately fatal disease. Furthermore, these adult children are often totally unprepared to answer the questions they are soon to face on a personal and financial level.

"How much did mom and dad make while we were growing up?" and "How much is left?" are some of the best-kept secrets we learn as they age.

In my family's case, we called two or three attorneys in the St. Louis area. They all said the same thing, "There's not much you can do except spend the money down to the threshold allowed by federal law." That federal law dictates that the maximum an individual can have before qualifying for Medicaid in a vendor bed at a nursing home is $2,000 in most states, and $999.99 in Missouri, which is where I live.

So once an individual in Missouri has one penny short of $1,000 to their name, the government will pay the cost of the nursing home over and above their pension and Social Security.

That would have been sound advice back then, but they did not tell us the whole story. There were other things we could have done to make the money last twice as long, such as set up a Medicaid compliant annuity. The Federal government tells you that you can take countable assets—those things federal law says you must spend down, including savings, checking accounts, Certificates of Deposit, IRAs, stocks, bonds etc.—and put them into a Medicaid compliant annuity.

While many people have annuities, in order for an annuity to be considered not countable it must comply with OBRA '93. This law states that if an annuity meets the following criteria, it will not be counted as an asset:

1. It must be irrevocable.
2. It must be non-assignable.
3. It must be non-commutable.
4. It must be non-transferable.
5. It must be actuarially sound.

The one thing most of us would rather avoid than discuss is the topic of long-term care. The need for long-term care can cause tremendous devastation to individuals and families, and is the number one reason why people outlive their money.

Our family did discuss all of the options, and our first choice was to move grandma in with mom and dad. After all, mom was her daughter and they had the room. As time went on, however, the burden became greater and greater. My younger brother and sister were still at home, making it necessary for mom and dad to deal with the balancing act of worrying whether grandma would wander off in addition to raising teenage children.

After that, grandma went through a series of nursing homes as we struggled to find the best place for her and us. By 1986, half of her money had been spent on care. After seven years and seven months, she had outlived her money. My grandma Lottie, who had worked her entire life in a shoe factory and saved over $120,000 for her retirement, died broke in a nursing home.

This was something I vowed would never happen again in my family, not to my parents or to myself. That was when Wealth Protection Advisors was born. Wealth Protection Advisors is a boutique financial planning firm that works exclusively with baby boomers to secure quality, long-term care for their parents without going broke in the process. As a result, we have helped over 3700 families and trained over 1800 advisors to help their clients with long-term care planning strategies.

Wealth Protection Advisors exists because of Lottie Holton. She worked hard and saved all of the tin foil and re-used plastic storage bags. When she retired, she had about $120,000 saved and a comfortable pension. Unfortunately, because of poor planning, 100% of her assets were depleted in approximately seven years.

As we began examining the family's situation, we attempted to answer the question, "Was the real cost of her care $120,000?" We figured that if we had been able to take the $120,000 and invest it in the bull market (and could have taken advantage of the tremendous growth in our economy) from 1983 to 2000, Lottie's money would have grown in excess of $1,000,000! Had we handled things differently, grandma would still have been in a nursing home, would still have occupied a Medicaid bed, but could have passed her life savings on to her two daughters.

It is this fact that has taught me how devastating it can be for families who have loved ones who need care. In fact, most of the folks who work in our office have a personal story about someone in their family who has needed long-term care and you are most likely reading this book because you have too.

By understanding what the federal and state law would have legally allowed, we could have protected in excess of $120,000 and Lottie could have realized her dream of leaving her children with a sizable inheritance. If we had known how to legally protect my grandma's money, she would have received the same quality of care, but her assets would have remained virtually intact to be passed on to the next generation, which was her intent.

The implication of my story is that our previous planning cost my family in excess of $1,000,000. My only question is: how much in excess would it have been? Unfortunately, we will never know. As a financial planner, I should have known better.

Instead, we took a case worker's word that we had to spend down my grandma's assets. Again, that was only half of the story; technically, we did have to spend down Lottie's assets, but they had not been candid about what to spend it on. Did it have to be on the care of the person? As it turns out, that is not altogether true.

The State of Missouri Maintenance Manual states exactly what you can spend assets on, one of which is a Medicaid compliant annuity. Most states allow the Medicaid compliant annuity.

Now, most people reading this book probably have a financial advisor, whether it be a banker, stock broker, analyst, or whomever you rely on to teach you how to manage and increase your money. However, like me in 1984, unless this individual has special training and has dedicated his or her work to asset protection planning, you may not be getting the best advice.

There are several financial planning strategies we could have used to protect my grandma's money and the next generation, her two daughters, would have had in excess of $1,000,000 today.

The lack of good, quality financial advice on the topic of long-term care planning is what caused me to create the hundreds of workshops my firm has held in the last eleven years on the topic in hospitals, senior centers, independent living facilities, libraries and nursing homes across the United States. It is what causes me to appear on talk and radio shows and why I was compelled to write this book.

As a grandchild and a financial planner, I clearly failed my family by not offering them sound advice in this area. The moral of the story is that if you have someone in this situation, pay attention to the next two sections of this book very carefully. Whether you are meeting a family crisis today or looking ahead to make sure you do not face such a crisis in the future, the information contained herein is for adult children and their parents and may keep you and them from going broke in a nursing home.

Don Quante

SECTION ONE

The Long-Term Care Crisis

CHAPTER ONE

A Close Look at the Numbers: The Cost of Care

The biggest and most obvious question for seniors and for long-term care needs is usually money. How are we going to pay for long-term care?

According to Genworth* in 2019 the cost of care looks like this:

- The national average daily rate for a private room in a nursing home is $280 while the daily rate for a semi-private room is $247.
- The national average monthly base rate in an assisted-living community rose to $4,051.
- The national average hourly rate for home health aides is $20; for homemakers it is $22.50. The national average daily rate for adult day services is $65.

** The 2020 Genworth Cost of Care Survey; Home Care Providers, Adult Day Health Care Facilities, Assisted Living Facilities and Nursing Homes*

In North Central Florida, according to Genworth, the cost of care looks like this:

- The average monthly rate for a private room in a nursing home is $8,745 and for a semi-private room is $7,984.

- The average base rate in an assisted living community is $4,274 per month.
- The average monthly rate for home health aides is $4,242 per month and adult day care is $1,300 per month.

Privately paying for long-term care means that seniors would have to find an additional $50,000 to $130,000 per year in their budget for just ONE person to receive care. Most of us, seniors or not, could not afford to privately pay for our own care year after year.

Long-term care insurance will pay for in-home care, assisted living, and nursing-home care. This is the most appropriate and needed form of insurance protection available to us today. Long-term care insurance should be termed "lifestyle" insurance—it is NOT nursing-home insurance! If your vision of your later years includes sitting at home in your own recliner, with your own remote control, watching your own TV…well, you should be planning for that future with long-term care insurance. In later chapters we discuss all of the options related to long-term care insurance today.

Reverse mortgages (Home Equity Conversion Mortgages) have become one of the most popular and accepted ways of paying for many different expenses, including the cost of long-term care. Reverse mortgages are designed to keep seniors at home longer. A reverse mortgage can pay for in-home care, home repair, home modification, and any other need a senior may have. Almost every successive chapter in this book discusses the use of reverse mortgages for seniors in some way. That is how important this cash flow planning concept has become in recent years.

Government Assistance

Medicaid will pay for long-term care, but certain criteria must be met. It is important to seek the advice of a qualified financial professional and an elder law attorney prior to applying for Medicaid.

VA Aid and Attendance Pension Benefit: The VA Aid and Attendance Pension Benefit is available to certain Veterans and their spouses who served during a period of war. Both Medicaid and VA Aid and Attendance are discussed later in the book.

Who Is Going to Take Care of Mom and Dad?

According to a recent joint study conducted by Cornell and Purdue University and supported by the National Institute on Aging, aging mothers are nearly four times more likely to expect a daughter to assume the role of their caregiver rather than a son if they become ill or disabled.

These mothers are also much more likely to choose a child to whom they feel emotionally close and who has values similar to their own, according to Karl Pillemer, Professor of Human Development at Cornell, and Purdue sociologist Jill Suitor, in the journal, "The Gerontologist".[1]

Aging adults today who are on the threshold of needing additional assistance in the home are also aging adults who tended to have larger families during their childbearing years. It is important, though often difficult, for seniors to talk with their adult children about expectations and wishes. It is also important for adult children to talk with each other about who will be assuming what role with regard to helping Mom and Dad. Neglecting to discuss this at all can lead to disappointment, confusion and disagreement between siblings.

Long-term care is a family issue, but it is more often a woman's issue. Throughout history women have been the caregivers in our lives. As we have seen, women also live longer than men on average. From beginning to end, women often care for family members young and old. Now, as our population begins to age, it is even more important that we understand what lies before us.

Although we see the number of male caregivers increasing all the time, the fact remains that, when it comes to long-term care for our family members and our spouses, today women carry the weight.

Daughters, daughters-in-law, wives, sisters and nieces often accept the role of caregiver for aging adults in the family. Across the U.S. there are women commonly referred to as "the sandwich generation" who are playing dual roles in their families. They are often mothers themselves in addition to caring for their own aging parents. The level of stress and frustration can be overwhelming. Careers are being put on hold, and promotions passed up, in order to accommodate the busy schedules of their children, and their parents. Even so, there is still not enough time for these women to meet everyone's needs. A financial burden results as well.

Women in America also tend to marry men who are older than they are. Therefore, they often end up caring for a chronically ill spouse in later years. When this happens, it is sometimes the case that all of the retirement funding and assets are used to pay for the long-term care needs of the "ill" spouse, leaving nothing in savings to care for the "well" spouse later in life.

It is estimated that one out of every two women will need long-term care at some point in their lives. One of every three men will also require long-term care. So why do more women need services? A woman's life expectancy is still longer than that of the average male.

How Long Can Seniors Be Cared for at Home—Realistically?

The answer to this question depends on many things, but ultimately it depends on how much support seniors have in their own community from family, friends, neighbors and religious organizations, and their ease of access to the medical system. Cash flow, as previously discussed, is another factor that determines how long seniors can stay at home safely.

It is important to note that according to a study by the National Association of Home Builders 50+ Housing Council, for those owning single family homes, 35.9% of households in the 55 to 64 age group reported difficulty in at least one physical activity:

- difficulty in dressing (9%)
- vision or hearing difficulty (11%)
- difficulty in going out (11.9%)
- difficulty in walking, reaching, lifting, carrying, climbing stairs or getting around the house (27.1%)
- difficulty in remembering (12.7%)
- and difficulty in working (23.8%)

More than 45% of those 65 to 74 and 70% of households 75 or older reported difficulty in some activity.[2]

Set up properly, a senior can stay in his or her own home for their entire life. As long as care can be paid for, or provided by family members locally, and as long as the living situation is safe and comfortable, seniors can stay at home. In the next few chapters we will give you more information on how this can be achieved.

References

[1] ***The Gerontologist*** 46:439-448 (2006) © 2006 The Gerontological Society of America Making Choices: A Within-Family Study of Caregiver Selection Karl Pillemer, PhD1, and J. Jill Suitor, PhD

[2] March 2007, National Association of Home Builders 50+ Housing Council Study—Aging Boomers May Be Hard to Budge From Current Homes

We hope you've enjoyed this sample!

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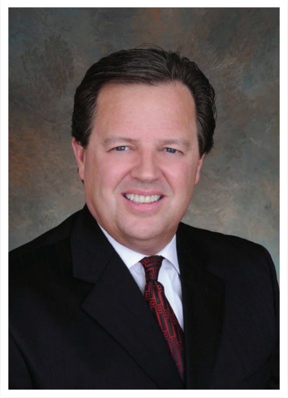

David H. Morgan is a professional advisor who offers a truly comprehensive, holistic approach to the most critical aspects of a client's life: estate planning, wealth management, income planning and tax planning. To help you accomplish this, he engages a robust team of financial, legal, tax and income professionals to facilitate the requisite and customized solutions. For clients, the efficacy and results of David's multi-disciplinary approach can be dramatic and impactful to both the clients as well as their families.

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