LONG-TERM CARE
What Consumers Need to Know
8,000 Baby Boomers Turn Age 65 Each Day!¹

Unexpected illness and the unpredictable cost of healthcare are two of Baby Boomers’ biggest concerns!²

A recent survey showed boomers are 3 times more concerned about the following, than they are about dying (17%):

- Their ability to pay for healthcare (53%)
- Having a major illness (48%)
- Winding up in a nursing home (48%)

Is Your Retirement Strategy Complete?

Even people who take great pains to ensure a financially secure retirement do not always realize the importance of planning for long-term care expenses.

Nursing Homes, Assisted Living Facilities, and Home Health Care are expensive and can deplete your retirement income, your savings, your assets, and any legacy you were hoping to leave to beneficiaries.
Long-Term Care Defined

Long-term care helps people when they can no longer take care of themselves.

Long-Term Care is commonly defined when people can no longer perform 2 of the 6 “activities of daily living” (ADLs):

- Continence
- Transferring
- Toileting
- Bathing
- Dressing
- Eating

It could also include cognitive impairments (such as Alzheimers, Dementia or Parkinsons Disease).

Where is Long-Term Care Provided?

**At Home**
- Personal care services
- Homemaker services
- Home health aide services
- Nursing services

**In Assisted Living Facility**
- General supervision
- Housekeeping services
- Medical monitoring
- Planned social activities
- Personal care services
- Bridges the gap between living independently and living in a Skilled Facility

**In Skilled Facility**
- A nursing home provides 24-hour a day care for people who require professional nursing and other personal care on a daily basis
Types of Care Given in the U.S. Today

• **Personal Care (custodial care)**
  Care provided by someone, other than a nurse, who assists with activities of daily living, in response to chronic health-care needs (78%)

• **Intermittent Nursing Care**
  Part-time skilled nursing care (14%)

• **Skilled Nursing Care**
  Care provided by an R.N. or L.P.N. on a 24-hour basis; must be ordered by a physician (8%)

The odds are much higher that home care will be needed than skilled nursing facility care.

What Are Your Long-Term Care Experiences?

Do you have any friends or family members who needed long-term care?

How did they pay for it?
What Kind of Long-Term Care Services?

- Home and Community-Based Care
- Assisted-Living Facility Care
- Skilled Nursing Facility
What are the Odds That You or Your Spouse May Need Long-Term Care?

• The actual risk of the U.S. general population (over the age of 65) for needing long-term care, either nursing home or home care, is **70%**¹

• **40%** of people receiving long-term care are working-age adults, ages 18-64, due to accidents, strokes, brain injuries, etc.²

• Because women generally outlive men by several years, over two-thirds (67.5%) of LTC insurance claims are paid to women.³

• **One in five** Americans over age 50 is at risk of needing long-term care services during the next 12 months.⁴

What is the Cost of Long-Term Care?

The national average is $73,000 per year\(^1\) to keep one person in a skilled nursing facility with a semi-private room. ($81,030 per year for a skilled nursing facility with a private room)^*.

Inflation is another factor to consider. The five-year annual growth is estimated to be 4.50% annually for a semi-private room and 4.28% for a private room^*.

*Genworth Cost of Care, 2012 Study
Who Pays For Long-Term Care?

- Medicaid: 49%
- Medicare: 20%
- Out-of-Pocket: 18%
- Private Insurance: 7%
- Other: 6%

Source: GEORGETOWN UNIVERSITY: Long-Term Care Financing Project-Updated 2007

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Does Medicare Pay for Long-Term Care?

Medicare and Medicare Supplements provide limited coverage for the cost of long-term care.

- Skilled Care Only
- Rehabilitative Short-Term Care
- 100 Days in a Skilled Facility
- Home Care is Minimal
  - Must be Ordered by a Physician
  - Must be HOMEBOUND to Receive In-Home Care
  - Care must be Delivered by a Licensed Professional (RN, PT, OT, etc.)
Medicaid Spend Down

If you are single, Medicaid will pay for long-term care once you have reduced your countable assets to $2,000 (in most states).

Other things to consider:
- Medicaid pays for a semi-private room
- Not all nursing facilities will have a Medicaid bed available
- If you gift assets to try to become eligible for Medicaid, there is a 5 year look back

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<tr>
<th>Exempt Assets</th>
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If you are married, Medicaid will pay for qualified skilled nursing facility expenses for the spouse in the facility, but only after a division of assets has been completed.

### Medicaid Spend-Down 101

**ALL Assets from Both Spouses Fit Into 1 of 3 Categories:**

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**TOTAL:** $380,000

### Illustration for Immediate Medicaid Qualification

**Total Countable Assets**................. $380,000

**Divison of Assets**.................Divisible by 2

**Each Spouse’s Share of Assets**....... $190,000

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**Annuity policy terms and limitations will vary among contracts. Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurer. Read your annuity policy carefully before purchasing. *2013 amount. This amount may be adjusted annually.**

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Veterans Benefits

The Veterans Administration offers a special pension benefit with Aid and Attendance that is largely unknown.

Who Qualifies?
Veterans who served 90 days active duty with 1 day of active service during a defined period of war.

The benefit provides up to $2,054 per month to pay for:

- Home Care
- Assisted Living
- Skilled Care (Nursing Home)

* Aid and Attendance benefit is not intended for the covered person to make a profit. Results may vary depending on the beginning assets and other asset assignment. See an experienced professional regarding this strategy for your situation.
Financial Qualifications

1. **Income Test**
   Are the non-reimbursed medical expenses equal to or greater than the veteran’s household income?
   
   If so, the veteran is likely to receive the full amount of pension.

2. **Asset Test**
   In order for the veteran or surviving spouse to receive the pension, their assets should be below a certain level*.

   Unlike Medicaid, currently the Veterans Administration does not impose a look back on gifts or transfers made before you apply.

*The Veterans Administration uses a formula based on the claimants assets, cost of unreimbursed medical expenses, and claimants life expectancy.
When It Comes to Paying for Long-Term Care, What Are Your Options?

Basically, you have three choices:

**Self-Insure**
- **Be Rich**
  - Use your own or your family’s resources

**Spend Down**
- **Be Poor**
  - Qualify for government assistance by reducing your assets to the poverty level

**Purchase Coverage**
- **Be Insured**
  - Purchase private long-term care insurance to help protect against the risk
What Are Your Options for Funding Long-Term Care?

You have several choices:

- Traditional LTC Insurance
- Annuity-based LTC Insurance
- Life Insurance-based LTC Insurance
- Use some of your IRA
- Self Insure (use your own assets)
How Great is Your Financial Risk?

Stop and think for just a moment.

• How much have you saved?
• What is your retirement income?
• What do you own?
• How fast would it disappear at $75,555 per year?*
• What about in 20 years when long-term care costs could be double or triple?

Only you can determine how you address the risks.

* 2013 Genworth Cost of Care ... Executive Summary
How Great is Your Financial Risk?

Insurance is one of the most utilized financial vehicles to guard against the unknown and to protect assets.

Is your car insured? □ Yes □ No

Are your home and possessions insured? □ Yes □ No

Do you have life insurance? □ Yes □ No

Have you made arrangements to protect yourself from the potential loss caused by long-term care? □ Yes □ No
Life’s Risks - What Are the Odds in an Average Year?

Death:
   a. Heart Disease 1 in 7
   b. Cancer 1 in 7
   c. Chronic Lower Respiratory 1 in 28*

Fire: 1 in 310 homes catch fire**

Car Accident:
1 in 18 cars is involved in a serious accident*

Probability of needing long-term care:
1 in 2 for a woman; 1 in 3 for a man***

Life, homeowners and auto insurance don’t provide the protection that Long-Term Care insurance can.

Does It Make Sense to Protect Against the Risks of Long-Term Care?

Do you now understand that Medicare or your Medicare supplement will provide only limited coverage for the cost of long-term care?  

☐ Yes  ☐ No

Are you reluctant to reduce your assets to the poverty level designated by your state in order to qualify for Medicaid benefits in the event long-term care is required?  

☐ Yes  ☐ No

Do you want to protect your estate so you can pass more of it to your heirs?  

☐ Yes  ☐ No

Are your resources adequate to cover the costs of LTC?  

☐ Yes  ☐ No

Would it make sense to reposition a portion of your assets in order to protect all of them?  

☐ Yes  ☐ No

©America’s 1st Financial, Inc.
Total Assets

Checking

Money Market

IRA

Brokerage Acct.

Annuities

Repositioning of a portion of total assets

LTC Money

©America’s 1st Financial, Inc.
**LTCi Pre-Screening Questionnaire**  
*For Information Purposes Only*

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<td>Stroke or TIA</td>
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Other?: _______________________________________

1. Are you currently using oxygen, a wheelchair, crutches, or cane?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

2. Are you currently in a Nursing Home or receiving home health care?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

3. Are you eligible for Medicaid?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

4. Are you currently receiving disability benefits or on physical therapy?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

5. Have you ever been declined for LTC insurance?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

6. Have you used tobacco in the last 36 months?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

7. Are you now or have you recently been under a doctor's care for any health conditions? If yes, explain:
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

8. Do you have any surgery scheduled in the next 6 months?
   ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

9. Prescriptions taken on a regular basis: ___________________________________________

10. Spouses prescriptions taken on a regular basis: _____________________________________

11. Do you have any physical limitations? If so, explain:
    ☐ YES ☐ NO  Spouse: ☐ YES ☐ NO

12. Height/Weight: _______ / _______  Spouse: _______ / _______
Sample Health Questions for Information Purposes Only

1. Do you have any impairment, whether physical or mental, for which you need or receive assistance or supervision in performing normal activities of daily living such as bathing, toileting, eating, dressing, taking medications, or moving without any physical assistance?
   - YES
   - NO

2. Have you ever: a) Been treated or hospitalized for insulin shock, diabetic coma, or have you taken insulin injections prior to age 40 or diagnosed with diabetes prior to age 25? b) Has, or been advised to have, an organ transplant, or been diagnosed as having a terminal medical condition that is expected to result in death within the next 12 months? c) Ever been medically diagnosed as having, been treated for, or been prescribed or taken Medication for Alzheimer’s disease, Dementia, Cognitive Impairment, Amyotrophic Lateral Sclerosis (ALS) or Multiple Sclerosis (MS)?
   - YES
   - NO

3. Are you currently hospitalized, confined to a bed or nursing facility, or receiving hospice care?
   - YES
   - NO

4. Do you use a cane, walker, or wheelchair?
   - YES
   - NO

5. Do you use any medical appliance such as a catheter, oxygen equipment, respirator, or dialysis machine?
   - YES
   - NO

6. In the past 5 years, have you been medically diagnosed, treated, taken or been prescribed medication for: Brain Tumor, Internal Cancer or Melanoma (excluding Basal/Squamous cell skin cancer)?
   - YES
   - NO

7. Are you currently taking Insulin for Diabetes combined with medications for any Heart or Circulatory disorder (excluding medications for Blood Pressure or Cholesterol)?
   - YES
   - NO

8. Have you had any positive results for an FDA-approved test or been diagnosed or treated by a licensed Physician for the Human Immunodeficiency Virus (HIV), Acquired Deficiency Syndrome (AIDS) or AIDS related Complex?
   - YES
   - NO

9. Currently, or in the past 2 years have you been medically diagnosed, treated, taken or been prescribed medication for: a) An occurrence of or been diagnosed for: Stroke, Transient Ischemic Attack (TIA), Aneurysm, Heart Attack, cardiomyopathy or; b)Brain, Heart or Circulatory surgery, Bypass surgery, Angioplasty, Stent insertion, or any procedure to improve circulation, such as Femoral bypass (lower extremities) or Endarterectomy (carotid arteries) or; c) Congestive Heart Failure (CHF)?
   - YES
   - NO

10. Within the past 2 years have you: a) Applied for life or health insurance with any other company or; b) Had any life or health insurance postponed or declined?
    - YES
    - NO

11. Within the past 2 years, have you been confined three or more times to a hospital, nursing facility, convalescent care facility or mental facility?
    - YES
    - NO

12. Within the past 2 years, have you been medically diagnosed, hospitalized for, treated, taken medication for: Chronic obstructive pulmonary or lung disease (COPD), emphysema, chronic bronchitis, or required oxygen to assist in breathing?
    - YES
    - NO

13. Have you used any nicotine or tabacco-based products in the past 12 months?
    - YES
    - NO
LTCi Pre-Screening Questionnaire

For Information Purposes Only

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Spouse Name: ___________________________ Date of Birth: ________________

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12. Height/Weight: _____ / _____  Spouse: _____ / _____
Sample Health Questions for Information Purposes Only

1. Do you have any impairment, whether physical or mental, for which you need or receive assistance or supervision in performing normal activities of daily living such as bathing, toileting, eating, dressing, taking medications, or moving without any physical assistance?  
   □ YES □ NO

2. Have you ever: a) Been treated or hospitalized for insulin shock, diabetic coma, or have you taken insulin injections prior to age 40 or diagnosed with diabetes prior to age 25?  b) Has, or been advised to have, an organ transplant, or been diagnosed as having a terminal medical condition that is expected to result in death within the next 12 months?  c) Ever been medically diagnosed as having, been treated for, or been prescribed or taken Medication for Alzheimer’s disease, Dementia, Cognitive Impairment, Amyotrophic Lateral Sclerosis (ALS) or Multiple Sclerosis (MS)?  
   □ YES □ NO

3. Are you currently hospitalized, confined to a bed or nursing facility, or receiving hospice care?  
   □ YES □ NO

4. Do you use a cane, walker, or wheelchair?  
   □ YES □ NO

5. Do you use any medical appliance such as a catheter, oxygen equipment, respirator, or dialysis machine?  
   □ YES □ NO

6. In the past 5 years, have you been medically diagnosed, treated, taken or been prescribed medication for: Brain Tumor, Internal Cancer or Melanoma (excluding Basal/Squamous cell skin cancer)?  
   □ YES □ NO

7. Are you currently taking Insulin for Diabetes combined with medications for any Heart or Circulatory disorder (excluding medications for Blood Pressure or Cholesterol)?  
   □ YES □ NO

8. Have you had any positive results for an FDA-approved test or been diagnosed or treated by a licensed Physician for the Human Immunodeficiency Virus (HIV), Acquired Deficiency Syndrome (AIDS) or AIDS related Complex?  
   □ YES □ NO

9. Currently, or in the past 2 years have you been medically diagnosed, treated, taken or been prescribed medication for: a) An occurrence of or been diagnosed for: Stroke, Transient Ischemic Attack (TIA), Aneurysm, Heart Attack, cardiomyopathy or; b)Brain, Heart or Circulatory surgery, Bypass surgery, Angioplasty, Stent insertion, or any procedure to improve circulation, such as Femoral bypass (lower extremities) or Endarterectomy (carotid arteries) or; c) Congestive Heart Failure (CHF)?  
   □ YES □ NO

10. Within the past 2 years have you: a) Applied for life or health insurance with any other company or; b) Had any life or health insurance postponed or declined?  
    □ YES □ NO

11. Within the past 2 years, have you been confined three or more times to a hospital, nursing facility, convalescent care facility or mental facility?  
    □ YES □ NO

12. Within the past 2 years, have you been medically diagnosed, hospitalized for, treated, taken medication for: Chronic obstructive pulmonary or lung disease (COPD), emphysema, chronic bronchitis, or required oxygen to assist in breathing?  
    □ YES □ NO

13. Have you used any nicotine or tabacco-based products in the past 12 months?  
    □ YES □ NO

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Annuity-Based Long-Term Care and the Pension Protection Act of 2006

On August 17, 2006, the President signed into law The Pension Protection Act of 2006 (the “Act”). Individuals owning certain annuity contracts can now have long-term care benefits either contractually or by purchasing a rider for an additional premium. Effective January 1, 2010 the Pension Protection Act allows the cash value of annuity contracts to be used to pay premiums on long-term care (LTC) contracts. The payment of premiums in this manner will reduce the cost basis of the annuity contract. In addition, the Act allows the purchase of an annuity contract with such a rider to utilize a tax-free transfer under Section 1035 of the Internal Revenue Code of 1986, as amended (“IRC”). This provision may prove beneficial to individuals who own annuities with a low cost basis (low original premium paid) and those who are not in the best of health. Another option is to utilize the cash value of an annuity to purchase long-term care insurance. This provision is effective for exchanges which take place after 2009. Premium sources for this type of policy can be by way of a 1035 exchange or any after tax money, such as savings or money market accounts and/or CDs.

An example of how an annuity-based long-term care strategy could help someone is illustrated on the right. For this example, we will call our client Bob, age 70, and recently widowed. His children live out of town and they were very concerned about what would happen if dad needed some additional care in the future. Since Bob had some health concerns and was recently diagnosed with diabetes, along with a history of heart disease, he was not a good candidate for traditional long-term care insurance. However, by taking advantage of an annuity based long-term care strategy that takes advantage of the Pension Protection Act, Bob could likely be insured. By taking his $140,000 fixed annuity with a cost basis of only $40,000 (i.e. the premium he actually paid for the annuity) and using the IRS 1035 tax-free exchange from his existing fixed annuity to a new annuity that complied with the rules laid out in the Pension Protect Act, Bob’s $140,000 fixed annuity could continue to earn interest. However, if he needed long-term care to pay for qualifying health needs like home care, assisted living, or skilled care he now had a long-term care pool of money equal to $556,658.

If you are unable to access this URL, please call (800)800-6004 to request a copy.
**$40,000 Initial Premium (cost basis) Annuity out of Surrender period.
Until recently, the thought of using a life insurance policy to pay for long-term care expenses, through loans or use of cash value, was practically unthinkable. However, with the first baby boomers reaching the milestone age of 65 on January 1, 2011, some insurance companies have begun offering long-term care (LTC) coverage for qualifying health events as a rider on term life insurance policies as well as whole life and universal life policies.

The basic concept is that the insurance company will allow the insured to accelerate the death benefit of the policy if the insured is unable to perform two of the six activities of daily living (eating, dressing, bathing, transferring, toileting or continence) or if the insured is cognitively impaired according to the definition included in the policy. The most attractive feature of this type of plan is the ability of the qualifying insured to use the money to pay for home healthcare, assisted living, or skilled care. The policy will even allow you to pick who your caregiver is - including family members.

**Sue (45) Hypothetical Situation**

**Current Situation**
- Sue is a single mom and has children going to college
- She currently has a 20-year term life insurance policy and is in year 18 of her term policy
- Sue feels strongly about never wanting to go to a nursing home
- She would like to buy long-term care insurance, but does not feel she can afford the premiums

**Proposed**

(45 year old female, non-smoker in good health)

*Sue’s Solution - 30 Year Term with Accelerated Benefits for LTC*
- Provide for LTC coverage by replacing existing term insurance
- Choice of where she wants to receive her care
- Choice of caregiver (even family members)**
- Provide $500,000 tax-free death benefit to her heirs prior to starting her long-term care benefits

*6,859 assumed qualifying Chronic illness at age 65. **Varies by carrier.
How Veterans Benefits May Be Used to Pay for Long-Term Care Needs*

*See a VA accredited agent or eldercare attorney to determine if this strategy might be right for you.

The Veterans Administration offers a special pension with Aid and Attendance (A&A) benefit that is largely unknown. This Special Pension allows for Veterans and surviving spouses who are unable to perform two of the six activities of daily living (eating, dressing, bathing, transferring, toileting or continence), to receive additional monetary benefits. It also includes individuals who are blind, or under full-time care because of mental or physical incapacity. It is not a benefit for a person needing housekeeping, respite care or part-time care. Assisted care in an assisting-living facility also qualifies. This important benefit is overlooked by many families with veterans or surviving spouses who need additional monies to help care for ailing parents or loved ones. This is a “pension benefit” and is not dependent upon service-related injuries for compensation. Many veterans who are in need of assistance qualify for this pension. Always seek professional advice when considering this type of assistance.

Aid and Attendance can help pay for care in the home, nursing home or assisted-living facility. A veteran is eligible for up to $1,732 per month, while a surviving spouse is eligible for up to $1,113 per month. A couple is eligible for up to $2,054 per month.

If a person pays a caregiver such as a nurse’s aide, or they pay an assisted-living facility, those expenses can impact a person’s monthly income, causing a monthly shortfall. These necessary expenditures can help them meet the income level criteria to qualify for Aid and Attendance benefits.

If a veteran or veteran’s widow has assets above a certain limit* they are allowed to place those assets into certain financial products such as annuities, or certain trusts in order to have them sheltered. This sheltering does not have a penalty or “look-back period” associated with it. Proper asset sheltering for Aid and Attendance should be completed under the supervision of a financial and legal Eldercare professional well versed in VA and Medicaid planning.

*The Veterans Administration uses a formula based on the claimant’s assets, cost of unreimbursed medical expenses, and claimant’s life expectancy. **Aid and Attendance benefit is not intended for the covered person to make a profit. Results may vary depending on the beginning assets and other asset assignment. See an experienced professional regarding this strategy for your situation. ***The Omnibus Budget Reconciliation Act of 1993 (OBRA ‘93) authorizes a legal trust document designed to benefit an individual who has a disability. Sometimes called a Special Needs Trust or Supplemental Needs Trust. ****An irrevocable Prepaid Funeral Plan is considered an exempt asset for purposes of qualifying for VA Aid & Attendance. Source: www.VA.org - If you are unable to access this web page, call 800-800-6004 to request a copy.

Asset Protection Plan

<table>
<thead>
<tr>
<th>Current Situation</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Countable Assets $400,000</td>
<td>Total Countable Assets $20,000</td>
</tr>
<tr>
<td>$57,000 Checking</td>
<td>$57,000 Checking</td>
</tr>
<tr>
<td>$143,000 IRA</td>
<td>$143,000 IRAs Converted to OBRA ‘93 IRA**</td>
</tr>
<tr>
<td>$116,000 Money Market</td>
<td>$116,000 Money Market</td>
</tr>
<tr>
<td>$84,000 Brokerage Account</td>
<td>$84,000 Brokerage Account</td>
</tr>
</tbody>
</table>

Estimated Monthly Cost of Care.........................$5,000
Less Income..............................................- $3,000
Monthly Shortfall..................................($2,000)
VA Pension...............................................$1,113
Net Monthly Surplus...................................$304**

Due to Current Countable Assets, this person would not currently be eligible for Aid and Attendance pension benefits and would need to cover the net monthly shortfall from income generated from assets.

Asset Protection Plan: $37,000 Cash | $190,000 Fixed Annuity

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Asset-Based Long-Term Care Strategy

“Legacy Assets” are those assets in a retiree’s portfolio that are not needed to support their lifestyle but are available in case of some serious emergency (rainy day money!). These assets, if (hopefully) never needed, will probably pass to the retiree’s children, church, or charity after they die. The one most significant risk to those assets is the need to pay for long-term care.

Many people in this situation resist the idea of conventional long-term care insurance, not wanting to admit that they might need it. Taking the position that they can pay for any care out of pocket, they are choosing to “self-insure”. For these individuals, one effective planning approach may be to leverage some of their legacy assets to provide a larger pool of money. This money can be utilized to pay for care in the home, assisted-living facility, or nursing home. If not needed, the money would then pass to the intended heirs. Unlike traditional long-term care insurance, life-insurance based or annuity-based long-term care protection can benefit both the policy-holder and the heirs.

To employ this strategy, money is transferred from its current location (bank account, older fixed annuity past the penalty period, etc.) into a specially designed life insurance policy with riders that allow accelerated payment of a large portion of the death benefit to the policy-owner upon a qualified health event, to help pay for costs of long-term care. Depending on the age, gender (in some states) and health status, the lump-sum premium paid into a life insurance policy may provide a death benefit of double or more that amount. However, if the insured qualifies to begin using the long-term care benefits, the insured may receive as much as five times the amount of the original premium. Any monies not used for convalescent care would still pass to the heirs upon death of the insured.

This approach is ideal for those individuals who choose not to purchase annual-premium long-term care insurance policies and intend to pay for long-term convalescent care, if they ever need it, with their own assets.

*$116,567 at age 65 varies by carrier. Income tax free according to current tax code. Life insurance guarantees rely on the financial strength and claims-paying ability of the issuing insurer.

Mary (65) Hypothetical Situation

Proposed Strategy

- Provides LTC by repositioning assets
- Mary can choose where to receive care with income tax-free LTC benefits
- Income tax-free death benefit for children if she does not need LTC*
- 100% of the premium is returned (within the time-frame and conditions allowed in the policy) if Mary changes her mind or finds a better strategy*
- LTC benefits are guaranteed without worries of future premium increases*

NOTE: The death benefit on these policies typically declines dollar for dollar based on the amount of LTC benefit needed. If Mary needs a $20,000 LTC withdrawal, her death benefit would be reduced by $20,000 to $96,567.

Asset Preservation Strategy

Combo Life & LTC

(65 year old female, non-smoker in great health)

Vishnu Vardhan
Fixed Indexed Annuity with Confinement Benefit Feature

For individuals who do not, for whatever reason, want to own any life insurance, there is an alternative. Since many retirees want to leverage up their assets if long-term care is needed, some insurance companies are now offering fixed indexed annuities with guaranteed* income riders that as much as triple the monthly income stream should the individual enter a skilled nursing facility, and cannot perform two of the six Activities of Daily Living (ADLs) or is cognitively impaired.

Of all the contingencies faced in retirement, long-term care is probably the most difficult and perhaps the most costly...financially as well as emotionally. These long-term care strategies allow wise consumers to manage their money and to provide financially for such a possibility without committing to insurance premiums for coverage they hope they will never need. Since the money to do this must reside somewhere, these asset-based long-term care products and fixed annuities with confinement features that may offer a financially attractive option.

<table>
<thead>
<tr>
<th>Years Deferred</th>
<th>Attained Age</th>
<th>Additional Premiums</th>
<th>Income Account Value</th>
<th>Income Percent</th>
<th>Lifetime Income Withdrawal</th>
<th>Confinement Benefit Doubler Withdrawal</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 yrs</td>
<td>75</td>
<td>75</td>
<td>$300,000</td>
<td>5.50%</td>
<td>$16,500</td>
<td>$33,000</td>
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<tr>
<td>1 yr</td>
<td>76</td>
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<td>$318,000</td>
<td>5.50%</td>
<td>$17,490</td>
<td>$34,980</td>
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<tr>
<td>2 yrs</td>
<td>77</td>
<td></td>
<td>$337,080</td>
<td>5.50%</td>
<td>$18,539</td>
<td>$37,078</td>
</tr>
<tr>
<td>3 yrs</td>
<td>78</td>
<td></td>
<td>$357,304</td>
<td>5.50%</td>
<td>$19,651</td>
<td>$39,302</td>
</tr>
<tr>
<td>4 yrs</td>
<td>79</td>
<td></td>
<td>$378,743</td>
<td>5.50%</td>
<td>$20,830</td>
<td>$41,660</td>
</tr>
<tr>
<td>5 yrs</td>
<td>80</td>
<td></td>
<td>$401,467</td>
<td>6.00%</td>
<td>$21,088</td>
<td>$44,176</td>
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<tr>
<td>6 yrs</td>
<td>81</td>
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<td>$425,595</td>
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<td>$22,353</td>
<td>$46,966</td>
</tr>
<tr>
<td>7 yrs</td>
<td>82</td>
<td></td>
<td>$451,089</td>
<td>6.00%</td>
<td>$23,651</td>
<td>$49,998</td>
</tr>
<tr>
<td>8 yrs</td>
<td>83</td>
<td></td>
<td>$478,154</td>
<td>6.00%</td>
<td>$25,028</td>
<td>$53,226</td>
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<tr>
<td>9 yrs</td>
<td>84</td>
<td></td>
<td>$506,843</td>
<td>6.00%</td>
<td>$26,440</td>
<td>$56,820</td>
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<tr>
<td>10 yrs</td>
<td>85</td>
<td></td>
<td>$537,254</td>
<td>6.25%</td>
<td>$27,958</td>
<td>$60,758</td>
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<tr>
<td>11 yrs</td>
<td>86</td>
<td></td>
<td>$569,489</td>
<td>6.25%</td>
<td>$29,593</td>
<td>$64,986</td>
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<tr>
<td>12 yrs</td>
<td>87</td>
<td></td>
<td>$603,658</td>
<td>6.25%</td>
<td>$31,372</td>
<td>$69,546</td>
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<tr>
<td>13 yrs</td>
<td>88</td>
<td></td>
<td>$639,878</td>
<td>6.25%</td>
<td>$33,288</td>
<td>$74,384</td>
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<tr>
<td>14 yrs</td>
<td>89</td>
<td></td>
<td>$678,271</td>
<td>6.25%</td>
<td>$35,341</td>
<td>$79,469</td>
</tr>
<tr>
<td>15 yrs</td>
<td>90</td>
<td></td>
<td>$718,967</td>
<td>6.50%</td>
<td>$37,532</td>
<td>$84,862</td>
</tr>
<tr>
<td>16 yrs</td>
<td>91</td>
<td></td>
<td>$762,105</td>
<td>6.50%</td>
<td>$39,856</td>
<td>$90,484</td>
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<tr>
<td>17 yrs</td>
<td>92</td>
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<td>$807,831</td>
<td>6.50%</td>
<td>$42,309</td>
<td>$96,358</td>
</tr>
<tr>
<td>18 yrs</td>
<td>93</td>
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<td>$856,301</td>
<td>6.50%</td>
<td>$44,909</td>
<td>$102,518</td>
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<tr>
<td>19 yrs</td>
<td>94</td>
<td></td>
<td>$907,679</td>
<td>6.50%</td>
<td>$47,659</td>
<td>$109,038</td>
</tr>
<tr>
<td>20 yrs</td>
<td>95</td>
<td></td>
<td>$962,140</td>
<td>6.50%</td>
<td>$50,559</td>
<td>$116,018</td>
</tr>
<tr>
<td>21 yrs</td>
<td>96</td>
<td></td>
<td>$962,140</td>
<td>6.50%</td>
<td>$53,609</td>
<td>$123,348</td>
</tr>
<tr>
<td>22 yrs</td>
<td>97</td>
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<td>$962,140</td>
<td>6.50%</td>
<td>$56,809</td>
<td>$131,088</td>
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<tr>
<td>23 yrs</td>
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<td>6.50%</td>
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<tr>
<td>24 yrs</td>
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<td>6.50%</td>
<td>$67,409</td>
<td>$156,518</td>
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</tbody>
</table>

**Income Preferred Series Calculator**

**Initial Premium:** $300,000  
**Issue Age:** 75  
**Years to Defer:** 10  
**Withdrawal Attained Age:** 85  
**Joint Annuitant:** No  
**Mode of Withdrawal:** Annual

Please note the figures used are for illustration purposes only, are not guaranteed and will vary based on the assumptions provided by an applicant.

*Annuity and rider guarantees rely on the financial strength and claims-paying ability of the issuing insurer. This type of rider may be available with an annuity you are considering, for an additional annual premium.

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Long-Term Care Strategy Using IRA Money for a Single Person

While most people use their IRA to supplement retirement many times waiting until age 70 1/2 (at which point the mandatory required minimum distribution rules apply), some people have chosen to take a portion of their IRA and fund an IRA-based, long-term care policy. As an example, we will use Tim, age 60, recently widowed and retired. While he feels very secure about his retirement income, his main concern is long-term care. By taking advantage of a tax-free, trustee-to-trustee transfer, Tim is able to reposition $157,000 of his $500,000 IRA account as premium for a 20-pay whole life insurance policy with an accelerated death benefit for qualifying long-term care expenses. Should Tim ever need long-term care, this type of policy can provide a monthly benefit of over $5,000 that can be used to pay for home healthcare, assisted living, adult day care or even skilled nursing facility care. Additionally, if he has not begun to use the long-term care benefit prior to his death, his children will receive a tax-free death benefit of over $268,000.

Tim (60) Hypothetical Situation

Current Situation

<table>
<thead>
<tr>
<th>Current Situation</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000 IRA</td>
<td>$500,000 IRA</td>
</tr>
<tr>
<td>No Long-Term Care Insurance</td>
<td>If LTC is Not Needed</td>
</tr>
</tbody>
</table>

If Long-Term Care Is Needed

Lifetime Long-Term Care Monthly Benefit $5,000+
Can Pay For: Home Health, Assisted Living, Adult Day Care, Nursing Home

*$121,580 Life Insurance Tax -Free Death Benefit; Annuity provides a Death Benefit of $146,755. **IRA policy is funded at issue. Whole Life policy is funded through annual withdrawals from annuity. Life policy is paid up after 20 years. Premium amount is guaranteed at issue.
This example shows the impact of using an IRA-based long-term care plan for a married couple. Both Beth, 60, and her husband Bob, 65, are concerned about long-term care but up to this point have not wanted to commit to the annual premiums for traditional long-term care (LTC) insurance. While they do not need additional income from Beth’s IRA, they would like to help their children avoid paying taxes on the IRA account when both Bob and Beth have passed away. In the case of a married couple, this is when the taxes on an IRA are due. (Assuming no inherited IRA options are exercised).

By taking advantage of a tax-free, trustee-to-trustee transfer, Beth can transfer $240,000 from her IRA into a 20-pay whole life insurance policy with an accelerated death benefit for qualifying long-term care expenses. As a result, Beth and Bob have secured $9,049 of monthly long-term care benefits for qualifying health conditions for both of them, to be used to pay for home healthcare, assisted living, adult day care, or even skilled nursing care. If they do not begin using the long-term care benefits, their children will receive a tax-free death benefit in the amount of $459,164*. In addition to these benefits, should they ever need to withdraw the $240,000, some of these types of policies also offer a full refund of premium**.

*This strategy uses a 20-pay whole life insurance policy with a second-to-die death benefit, which includes an accelerated death benefit for use in the event of qualifying LTC care expenses. $459,164 death benefit age = joint equal age of 65 - end of policy year one. **Terms and limitations of policy contract language vary. Read your policy carefully before purchase. Consult with an experienced eldercare attorney to see if this strategy will apply to your financial situation.
How to Use Medicaid to Pay for Long-Term Care

While Medicaid should be used as a last resort to pay for long-term care, there may be cases where this may be the only option for families to protect assets. In the case of a married couple, the federal law allows for a division of assets to occur at the time that either spouse enters a skilled nursing facility. Simply put, the couple is able to divide their assets by two and the healthy spouse, usually considered the community spouse, is able to keep half of the assets up to $115,920*. Let’s assume we have a couple, Mary, 78, and her husband Bill, 82, with countable assets totaling $380,000. Even though when you divide the assets by two, you would expect that each spouse would be entitled to $190,000. The healthy spouse, (i.e. community spouse), is only able to keep $115,920 in this example. The balance of $264,080 would need to be spent down to $2,000 before Medicaid will begin paying. (The amount in Missouri is $999.99). However, if the family is aware of the OBRA ’93*** (the Omnibus Reconciliation Act of 1993), they would learn that, actually, the healthy spouse can retain the $264,080 by converting this amount into the OBRA ‘93 Medicaid compliant annuity. While many individuals have annuities**, this particular annuity is something that you would only come in contact with if you’re in a long-term care crisis and attempting to do Medicaid or Veterans planning. In order for an annuity to be Medicaid compliant, it must be irrevocable, nonassignable, noncommutable, nontransferable and actuarially sound. When properly done, this planning will allow the healthy spouse to maintain 100% of the assets by using the OBRA 93 Medicaid compliant annuity.

*2013 amount. This amount may be adjusted annually. **Annuity policy terms and limitations will vary among contracts. Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurer. Read your annuity policy carefully before purchasing. ***The Omnibus Budget Reconciliation Act of 1993 (OBRA ‘93) authorizes certain legal trust documents that may comply with Medicaid requirements.
The case of a single individual using Medicaid as a long-term care planning strategy is a little more challenging. However, it may make sense to consider whether or not the family is concerned about making sure that there are adequate funds to pay for their parent's funeral expenses and other expenses that are not covered by Medicaid. Using a strategy commonly referred to as the “Half Loaf” strategy, an individual would transfer approximately 50% of the assets to their children or possibly into an irrevocable trust. The other 50% might be used to purchase an annuity compliant with OBRA '93* Federal requirements. The income generated from the annuity, along with Social Security and pension income, would pay for the cost of care during the 72 month penalty period created by the transfer of 50% of the assets to others. Edith age 80 recently entered a skilled nursing facility where they have Medicaid beds available. Since Edith has an IRA worth $132,000 and an additional $150,000 in her money market and checking accounts she would be unable to qualify for Medicaid. She may be able to transfer $148,000 of her $282,000 assets (less any taxes and withdrawal penalty assessments) into a properly drafted irrevocable trust and the remaining approximately $132,000 will purchase an OBRA '93 Medicaid-compliant annuity. The income from her annuity, along with her Social Security and any pension, could allow her to private-pay her nursing facility expenses for the 33-month penalty period calculated by the amount of the gift ($148,000 transferred into the trust). As a result, Edith would be eligible to receive Medicaid benefits 33 months later and has protected half of her assets, or approximately $148,000 for her heirs.

**Medicaid Spend Down 101**

**ALL Assets from Both Spouses fit into 1 of 3 Categories:**

<table>
<thead>
<tr>
<th>Exempt Assets</th>
<th>Countable Assets</th>
<th>Unavailable Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Residence</td>
<td>Other Real Estate</td>
<td>OBRA '93 Compliant Annuity*</td>
</tr>
<tr>
<td>Business Property</td>
<td>CDs, Checking, Savings, MM $150,000</td>
<td></td>
</tr>
<tr>
<td>One Car</td>
<td>Series EE Bonds</td>
<td></td>
</tr>
<tr>
<td>Personal Contents</td>
<td>Annuities</td>
<td></td>
</tr>
<tr>
<td>Term Life Insurance</td>
<td>IRA - $132,000</td>
<td></td>
</tr>
<tr>
<td>$1,500 cash value in</td>
<td>Mutual Funds, Stocks, Bonds</td>
<td></td>
</tr>
<tr>
<td>Whole Life Insurance Policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irrevocable Prepaid Funeral</td>
<td>Cash Value Life Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong> $282,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Individual Resource Allowance varies by state. **The Omnibus Budget Reconciliation Act of 1993 (OBRA '93) authorizes certain legal trust documents that may comply with Medicaid requirements. In order for an annuity to be Medicaid compliant, it must be irrevocable, nonassignable, noncommutable, nontransferable and actuarially sound.

Insurance agents are not allowed to give tax, accounting or legal advice. Please see an experienced eldercare attorney to see if this scenario fits your financial situation.
Long-Term Care Insurance Disclosure

I hereby acknowledge that __________________________ made an opportunity available to me to purchase a long-term care insurance policy and I have declined to purchase such coverage. Furthermore, I have been made aware that:

► In 2013, the national private-pay cost for a private room (single occupant) in a nursing home is averaging $230 per day (or $83,950 per year). For a semi private room, typically a room shared with another resident, the cost is averaging $207 per day (or $75,555 per year).¹

► Medicare does not pay for long-term care, Medicare only covers skilled care for a limited time, and only after hospital confinement. Medicare does not cover either custodial or intermediate care. Medicare pays 20% of the nation’s total nursing home bill.²

► Medicaid is intended as a safety net for the poor. In order to qualify for Medicaid, a person must “spend down” their assets according to the guidelines set forth in the Deficit Reduction Act of 2005.³

► Long-term care insurance is normally medically underwritten. Changes in my/our health may make coverage more expensive or unavailable at a later time.

► Premiums for long-term care insurance also depend on age. Premiums will be higher as I/we get older.

Our agent __________________________ has explained stand-along long-term care insurance policies, Life insurance/Long-term care and Annuity /Long-term care alternatives. We have decided not to purchase at this time for the following reasons:

________________________________________________________________________

________________________________________________________________________

Signed: ___________________________ Date: ________________

Signed: ___________________________ Date: ________________

Agent: ___________________________ Date: ________________

¹ 2013 Genworth Cost of Care...Executive Summary
² Georgetown University Long-Term Care Financing Project, “National Spending for Long-Term Care” 2007