

## FACT PATTERN TWO

### FACTS:

Herb L. Remmedy and his wife, Anita, are an elderly couple with three adult children. Between the two of them, they own the following assets:

- |                       |           |
|-----------------------|-----------|
| 1. Home               | \$175,000 |
| 2. Financial Accounts | \$250,000 |
| 3. Automobile         | \$ 15,000 |

Her monthly income is Social Security of \$850 and a pension of \$300.  
His monthly income is Social Security of \$1,100 and pension of \$1,000

What can be done to qualify Mr. Remmedy for Medicaid?

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Mr. and Mrs. Remmedy have total assets of \$440,000.  
The home and automobile are not countable, so there are \$250,000 worth of countable assets.

1. Community Spouse Resource Allowance. Anita gets to keep ½ of the countable assets, up to \$95,160. One-half of \$250,000 is \$125,000. She gets \$95,160. That leaves \$154,840 in assets, or \$152,840 "too much".

2. Gifts. Use any of the gifting techniques discussed in Fact Pattern One.

\*3. Purchase Annuity. Use the \$152,840 to buy an annuity. So long as the annuity will not be guaranteed to pay out longer than Mrs. Remmedy's life expectancy, it will not be a divestment. However, if she outlives her life expectancy, there is no value left in the annuity contract for her heirs.

4. Spousal Annuity Trust. Place the excess \$152,840 in a trust "solely for the benefit of "Mrs. Remmedy." The trust must be scheduled to pay out to her the entire balance of the trust within her life expectancy, *or shorter*. As the assets are paid out to her she can use them as she wishes. Her assets will no longer count against Mr. Remmedy's eligibility, once he qualifies.

Note that these techniques could even be applied after Mr. Remmedy enters the nursing home, but before the Medicaid application is filed. The annuity strategy may not be available after June 1, 2005.