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your estatematters

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Protect Your Retirement Funds from Bankruptcy

Both Now and After You're Gone

Over the past decade the amount of money in retirement plans has increased substantially. According to the Employee Benefit Research Institute, nearly $10 trillion dollars were held in 401(k) and IRAs in 2012. Those funds provide security for millions of Americans… but what happens if you experience a major change in financial fortune and are forced to declare bankruptcy?

While filing for bankruptcy can strip away many of your assets, any funds held in 401(k) plans and up to $1 million held in IRAs are protected. It's as if those assets are protected by a little "box." But what happens to those assets if you pass away?

The U.S. Supreme Court ruled that bankruptcy laws do not provide protection for inherited retirement plans. In effect, your protective "box" goes away—and creditors can attach the assets you intended to pass on to your heirs.

Fortunately, a Sentry Trust can provide protection. By specifying that funds held in your 401(k) and IRA will be payable to a Sentry Trust (a completely Discretionary Trust with a third-party Trustee) you ensure creditor protection for those assets (no matter what type of assets they might be). The Sentry Trust creates the same protective "box" you enjoyed while you were alive. This is done by designating the Sentry trust as the beneficiary of the assets.

Of course there is one downside. Beneficiaries cannot demand a distribution whenever they want; in legal terms the creditor "stands in the shoes of" the debtor, so if your beneficiary could demand a distribution, so could the creditor. That's why the Trustee you assign will make distribution decisions. Of course, you can provide instructions and guidance for the Trustee when you set up the Trust.

Contact our office to see if a Sentry Trust is right for you… and, just as importantly, for the people you love.

Contents

Know a Victim of a Scam?

U.S. Senate Establishes Anti-Fraud Hotline

Elder fraud continues to rise. While one in nine seniors reported being abused, neglected, or exploited in the past year, only one in 44 cases of financial abuse is estimated to be reported. And many seniors don't know where to turn: a significant percentage of abusers are family members or trusted advisors.

That is why the U.S. Senate Special Committee on Aging set up a toll-free hotline to help senior citizens who are victims of scams or frauds. Investigators with experience in investment scams, identify theft, fraudulent sweepstakes and lottery schemes, Medicare and Social Security fraud, payday and car title loans, construction fraud, and other ways seniors are exploited, directly examine complaints and refer those complaints to the proper authorities.

Common scams include:

- "You've won the lottery! Just send $2,000 to cover processing!"
- "We're working in your area and can resurface your driveway for a fraction of the normal cost!"
- "We've arrested your grandson and he needs you to bail him out. Fortunately we can take a credit card!"
- "We're collecting money for victims of the recent (tornado/hurricane/flood). They really need your help!"
- "We have a report of a (gas/electrical/plumbing) problem in the area—we really need to come inside and make sure your home is safe."
- "We need to verify your account information to ensure your funds are not placed on hold or even lost."

If you or someone you know is the victim of a scam aimed at seniors, call the hotline at 855-303-9470 or visit **www.aging.senate.gov**. For more information about elder abuse of all forms, visit the National Adult Protective Services Association at **www.napsa-now.org**.

And don't hesitate to also call your local authorities. The only way to catch the people who perpetrate scams, and to help ensure others will not fall victim in the future, is to report those crimes as soon as possible.

Simple Ways to Manage Your Prescription Drugs

Trips to the drugstore are a fact of life for the elderly: people over 65 take two to three times as many prescription medications as those who are younger, and over 30 million people take five or more medications. Effectively managing the process can be difficult, so here are some tips to make it easier and safer:

One-stop shop: Choose one pharmacy that will take care of all your needs. That way record keeping will be seamless and your pharmacist will be familiar with your prescriptive needs—and spot any potential complications between drugs.

Follow directions: 25% of prescriptions go unfilled, and many that are filled are not taken according to instructions. Failing to follow directions properly increases health risks, and could be life-threatening. Medication apps can be helpful to ensure you take them as prescribed.

Ask questions: Your pharmacist doesn't just fill orders; he or she can provide advice and guidance and work with your physician to ensure your treatment plan is as effective as possible.

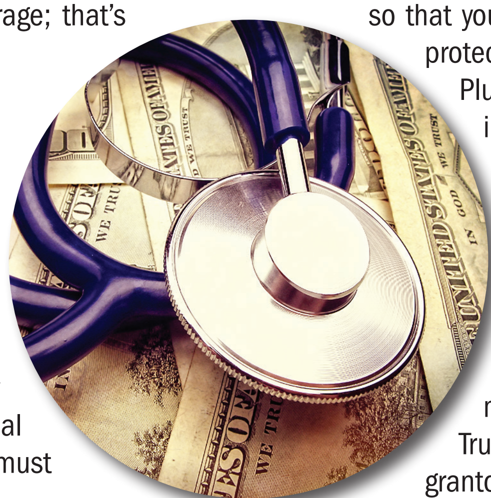
Regularly check expiration dates. Expired medications lose effectiveness. Properly dispose of them and see your physician for a new prescription if necessary. Many cities hold 'Drug Take Back' events in which they collect outdated medications—check with your city to see when the next one will happen.

Is a Medicaid Trust Right for You?

Planning for Expenses Medicare Doesn't Cover

As you know, Medicare only pays for a portion of up to 100 days of "skilled nursing" care per "spell of illness." That means many people who need nursing home care receive fewer than 100 days of Medicare coverage; that's when Medicaid would be needed.

Maybe.



Few people have long-term care insurance, and assets eventually run out, so that's why Medicaid is the default "long-term care insurance plan" for millions of Americans. That's great for people with limited resources, but what if you do have substantial assets? To qualify for Medicaid, you must pass a financial means test and your assets and income must fall below state eligibility requirements.

Generally speaking, assets that are not counted toward eligibility limits include your home and one vehicle. "Countable" assets like cash, stocks, bonds, and mutual funds, real estate investments, and multiple vehicles can add up to no more than approximately $2,000 (depending on your state of residence). Anything over $2,000 must be used to pay for your care before Medicaid benefits kick in.

Sound scary? It doesn't have to be. Medicaid planning is designed to work within legal guidelines to convert a sufficient amount of your countable assets into exempt assets so that you qualify for Medicaid benefits—all while protecting those assets for you and your family. Plus a Medicaid Trust is exempt from Medicaid Recovery efforts (where the state attempts to recover benefits paid from the estate of the recipient) and also offers your heirs significant protection from capital gains taxes if and when they sell an inherited property.

Of course, there are specific requirements. To meet Medicaid guidelines, a Trust must be irrevocable and as the Trust is grantor you can only have access to any income generated by the Trust and not the principal itself.

But keep in mind the impact of the five-year look-back period, any assets transferred within five years of applying for benefits can trigger a penalty. That's why planning ahead is so important—the longer you wait to set up your plan the greater the possibility that you may lose some of the protection afforded by a Medicaid Trust.

What's in a Legacy?

She was nominated for an Academy Award for her work in two films. She won Tony Awards for performances on Broadway. During one of her first films she was so nervous she tried to stop trembling by pressing her chin against her chest. As a result, she tilted her eyes upward and inadvertently created what was later widely known as "the look."

She also bravely confronted her fears to do what she could to support equal access of resources to those less fortunate. She was an early honoree of the charity Aid for AIDS and was a staunch supporter of Best Buddies, an organization dedicated to providing one-to-one friendships, employment, and life skills for people with intellectual and developmental disabilities. In 1947, she risked her career by publicly opposing the Hollywood blacklist efforts of the House Un-American Activities Committee.

Lauren Bacall (born Betty Joan Perske) who was raised by her single mother, not only rose to fame and fortune but also selflessly worked to help those less fortunate live richer lives.

What will your legacy be?

What Medicare Doesn't Cover

Prepare for Gaps in Coverage

Medicare covers a lot—but there's also a lot it doesn't cover.

Medicare is a federal program that helps pay for a variety of medical services and products. Unlike Medicaid, eligibility is not tied to individual need; you are entitled to Medicare because you or your spouse paid premiums through payroll deductions. In general terms:

- **Part A** provides coverage for hospital stays and home health care
- **Part B** pays for doctor and lab costs as well as medical equipment and supplies
- **Part D** pays some of the cost of prescription medications

But Medicare doesn't cover everything. Medicare only pays for a portion of up to 100 days of "skilled nursing" care. Dental and eye care, cosmetic surgery, hearing aids, and most importantly long-term care costs like extended stays in nursing homes are just a few example of things not covered. Plus, you'll still need to pay all costs up to the deductible amount, and generally speaking 20% of Medicare-approved costs of service.

Also keep in mind, you can sign up for a Medicare Advantage plan, which operates similarly to an HMO or PPO; in that case your deductible and other costs may be different.

You can sign up for Medicare—three months before the month you turn 65 and three months after. Every year you can make changes, like switching to or from an Original Medicare and a Medicare Advantage Plan during the Open Enrollment period that runs from October 15 through December 7.

Start planning now for the costs Medicare will not cover—and to ensure that you maximize the benefits available under Medicaid.