2021 AGENT GUIDE

DISCOVER
***the* ULTIMATE**
guide to long-term
care planning in
THE NATION

CASE STUDIES

MARKET INSIGHT

EDUCATIONAL RESOURCES

LONG-TERM CARE INSURANCE

MEDICAID COMPLIANT ANNUITIES

WELCOME TO THE

2021 AGENT GUIDE

Professionals working in the senior market have a unique opportunity in 2021. Retirees are placing a renewed focus on planning for the unexpected, or, in the case where that's still not enough, taking action when faced with an immediate crisis. The main question they face is, "Who can I turn to for help?"

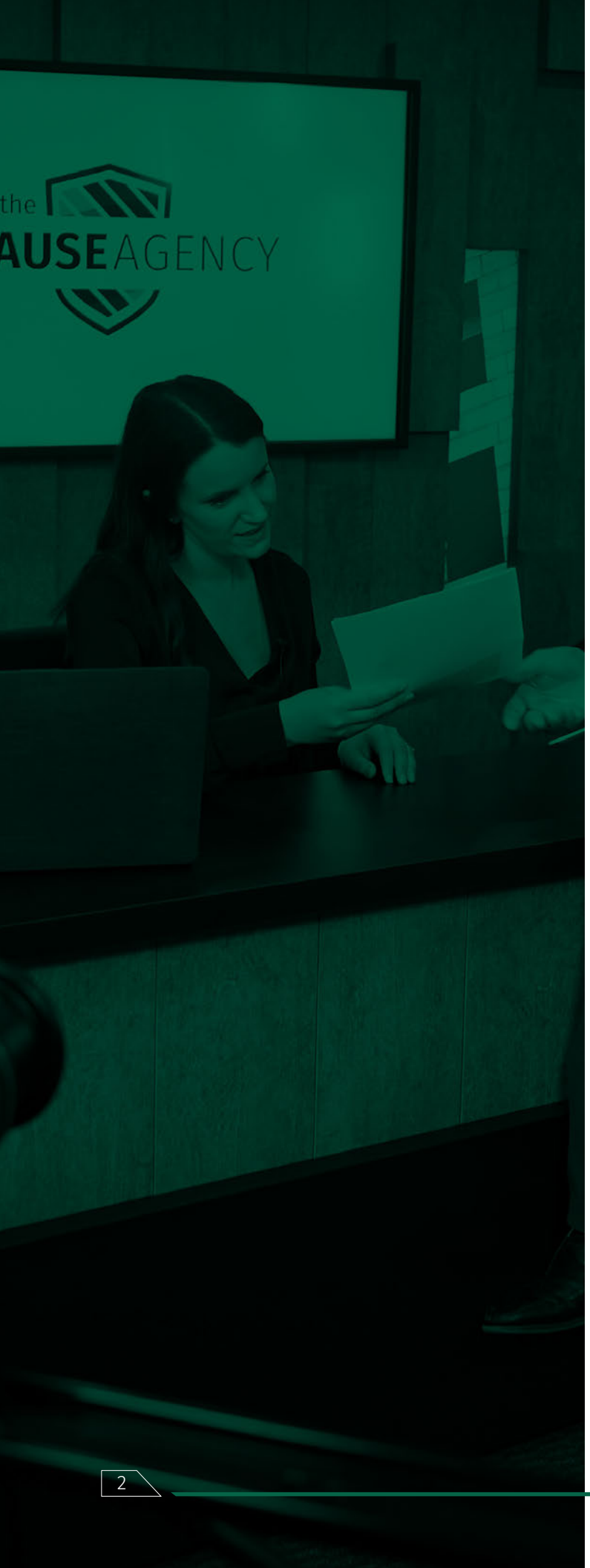
The answer? You.

That's right—insurance agents and advisors are in the ultimate position to provide a solution to senior clients facing one of the biggest financial burdens anyone can deal with in their lifetime—a long-term care stay.

What's in it for you? Aside from providing a necessary service in your community, incorporating long-term care planning products and services into your business will help you boost your revenue, better retain your clients, and grow your referral network by positioning yourself as an expert to other industry professionals.

Whether your client is planning ahead or already wiping away their life savings in a nursing home, we can help you find and implement a solution. In short, we'll help you do the heavy lifting. All you have to do is take the leap.

LET'S GET STARTED.



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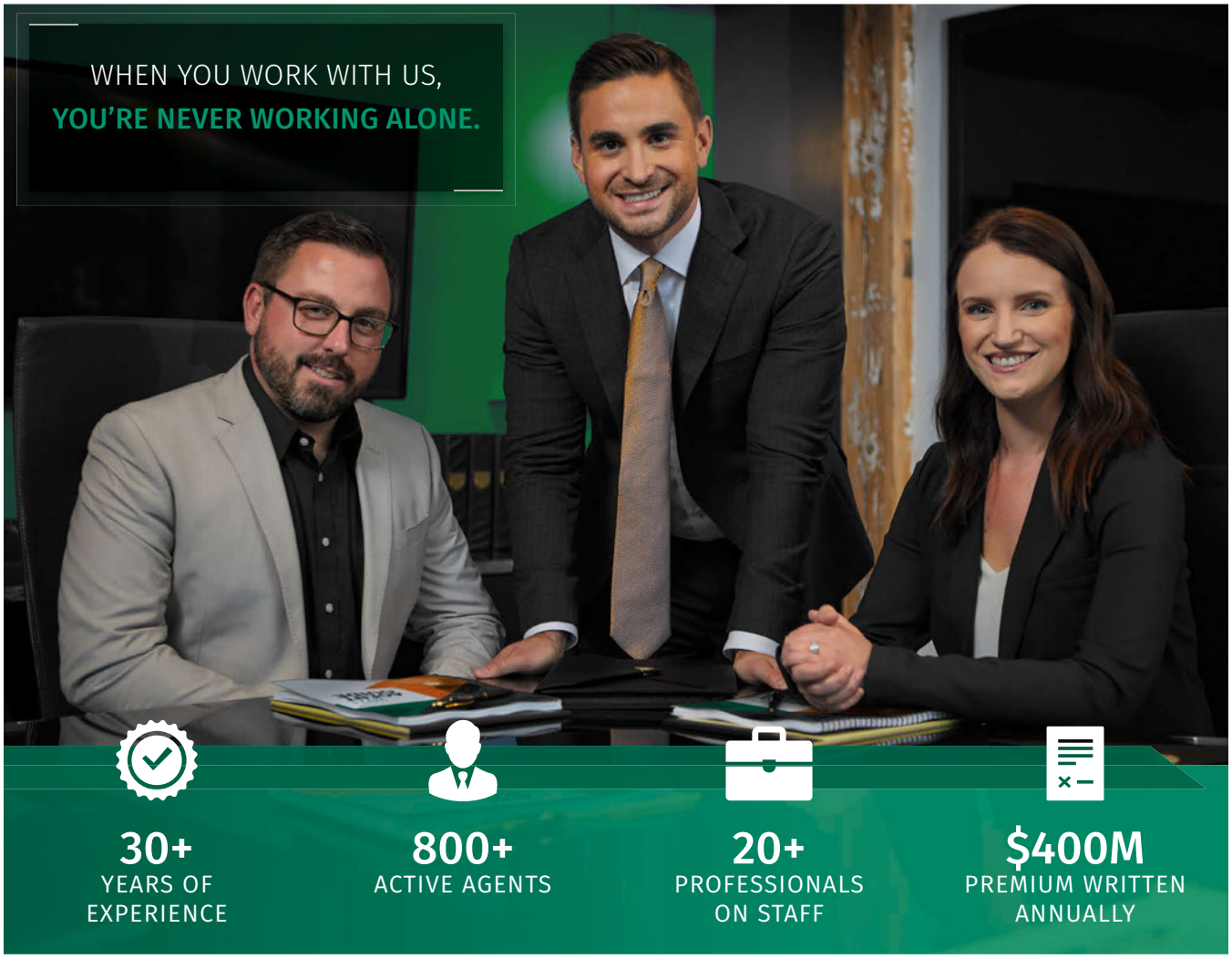
ABOUT US

Who We Are

We're a national wholesaler of Medicaid Compliant Annuities and other insurance products designed for the senior market. We help agents like you offer solutions to pay for long-term care for elderly clients while boosting your revenue in the process.

In addition to our products, we focus on providing specialized support and resources. We act as your back office, helping you stay up to date on everything from changing Medicaid regulations to marketing and prospecting trends.



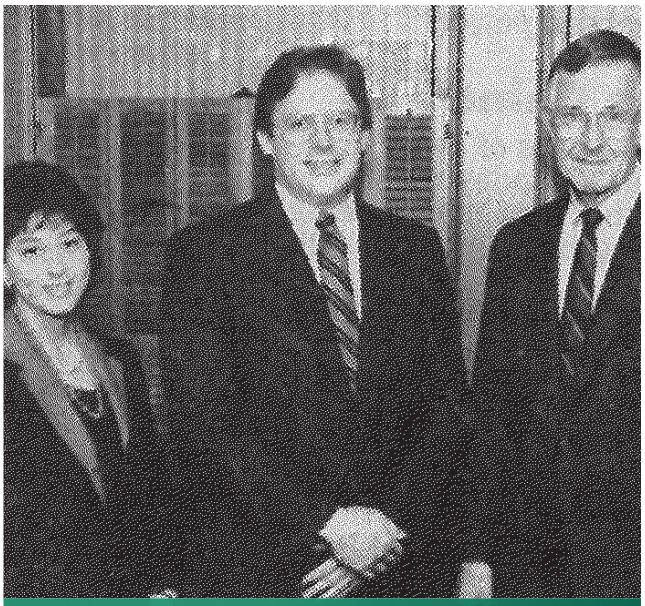
Our History

Back in the 1980s, our President and CEO, Dale M. Krause, J.D., LL.M., began his career as an estate planning attorney. He became ingrained in a dilemma many professionals face: how do I help my clients avoid losing everything in the event of a long-term care stay? His answer was insurance, no matter what stage of the long-term care process the client was in.

While Long-Term Care Insurance was already a widely available product, Dale's true innovation came in the form of the Medicaid Compliant Annuity. He went beyond the practice of law to design and develop the very first short-term annuity product meant for crisis planning cases, or cases in which the client was entering a nursing home without having done any pre-planning. The result quickly became an industry phenomenon.

Dale's company soon grew into the bustling financial services firm it is today. In addition to acting as the industry's largest wholesaler of Medicaid Compliant Annuities, he instilled the importance of supporting the needs of elder care professionals who are helping seniors avoid this financial crisis—something that his entire team strives to do every day.

AT THE KRAUSE AGENCY,
OUR HISTORY SETS US APART.



Dale M. Krause, J.D., LL.M. began practicing in 1986.

Executive Leadership

DALE M. KRAUSE, J.D., LL.M.
PRESIDENT AND CEO

Dale founded The Krause Agency over 30 years ago and currently acts as our President and CEO. Originally an estate planning attorney, he developed the first short-term Medicaid Compliant Annuity and used his vast experience to train and advise attorneys, agents, and other professionals on incorporating long-term care planning into their business. Today, Dale focuses his time on developing educational tools and identifying new opportunities for our agents. Dale earned his Juris Doctor from Thomas Cooley Law School and his Master of Laws in Taxation from DePaul College of Law.

THOMAS KRAUSE, J.D.
VICE PRESIDENT OF SALES AND MARKETING

As Vice President, Tom plays a primary role in the growth and development of our company. Tom has a strong foundation in the elder care industry, which he uses to continually enhance the experience of our agents. This includes developing educational resources like Agent Access, improving our websites, and adopting new technologies to create a streamlined sales process. Tom has a bachelor's degree in Economics, and he earned his Juris Doctor from California Western School of Law.

SCOTT ENGSTROM, J.D.
CORPORATE COUNSEL AND COO

As Chief Operating Officer, Scott works closely with the executive team, department heads, and other team members to maintain smooth company operations. As Corporate Counsel, he conducts legal research, drafts agreements, and resolves issues relating to litigation, risk management, and compliance. In both roles, Scott aims to facilitate effective and clear communication in order to help the company thrive. He has a bachelor's degree in Political Science, and he earned his Juris Doctor from Penn State Law.

Sales Team

CONNIE ASHLEY
DIRECTOR OF AGENT RELATIONS

Connie works with agents and advisors, providing quotes for their long-term care planning cases. She onboards, educates, and advises new agents and serves as a liaison between our office and our insurance carriers. Connie earned a bachelor's degree in Criminal Justice from the University of Phoenix, and she has her insurance license in 49 states.

TRAVIS BITTERS
BENEFITS PLANNER

Travis compiles planning letters, processes annuity applications for crisis Medicaid planning cases, and helps agents get appointed with the different insurance carriers we work with. He graduated from Ripon College with bachelor's degrees in Business Management and Psychology, and he is a licensed insurance agent.

TOM BUDENZ, CRPS, CLTC
BUSINESS DEVELOPMENT SPECIALIST

Tom primarily works with agents and advisors who are new to working with us and speaks with them about the products, services, and tools we offer. Additionally, he educates agents about the options and strategies associated with LTCI. Tom earned his bachelor's degree in Economics from UW-Whitewater and has his Certification in Long-Term Care.

LORI GUBASH
NATIONAL LTCI DIRECTOR

Lori acts as a liaison between Krause and LTC Solutions to ensure we're offering the best Long-Term Care Insurance solutions for agents and their clients. She earned her bachelor's degree in Business Management from the College of St. Scholastica, is a member of NAIFA and NAILBA, and has her Certification in Long-Term Care (CLTC).

TYRELL JENSEN
DIRECTOR OF BUSINESS DEVELOPMENT

Tyrell oversees the Business Development team and works closely with insurance agents and financial advisors, providing education and training to add Medicaid planning to their business. Tyrell became a financial advisor after earning a bachelor's degree in Sociology from Brigham Young University. He is licensed in life and health insurance.

MADI REYNOLDS
RELATIONSHIP MANAGER

Madi works closely with our agents and advisors, educating them on the products, services, and solutions we offer, and stays up to date on any changes in the insurance marketplace. She has a bachelor's degree in Sociology from the University of Utah and is licensed in life insurance and Long-Term Care Insurance.

COLLIN TERRY
SALES DIRECTOR

Collin leads the efforts of our sales team by developing sales strategies, enhancing client retention, and guiding staff as they educate and provide solutions to agents and advisors. He has a bachelor's degree in Business Administration from UW-Oshkosh, an MBA from Columbia Southern University, and his Certification in Long-Term Care.

NATE ZIOLKOWSKI
SALES MANAGER

Nate works with agents and advisors to develop planning strategies for their senior clients and collaborates with team members to find creative solutions for challenging cases. He earned his bachelor's degree in Business Administration with an emphasis on Finance and minor in Accounting from UW-Green Bay.

Administration and Accounting

ANDREA GEYER
ADMINISTRATION SUPERVISOR

Andrea oversees the day-to-day operations of the Administration department, ensures each annuity application meets Medicaid and insurance carrier standards, and assists with a variety of administrative tasks. She has a bachelor's degree in Business Management and is currently working toward her MBA at Columbia Southern University.

DENISE KRAUSE
ACCOUNTS ADMINISTRATOR

Denise handles payroll and accounting for the company and serves as a go-between for employee benefits. She also works with clients to take care of death claims paperwork. Denise has been a core part of the team since 2001, and she has done everything from sales and marketing to data entry, answering phones, and handling finances.

SARAH LIPPENS
ADMINISTRATIVE SPECIALIST

Sarah answers phones and provides information regarding payments and policies to clients. She handles annuity applications, sends out policies, performs data entry, and assists with other administrative tasks as needed. Sarah earned a bachelor's degree in Business Administration with a concentration in Finance from St. Norbert College.

ELLIE SEEGER
LEGAL ASSISTANT

Ellie assists our Corporate Counsel with filing, cases, and research, and she manages the day-to-day workload of our non-compliant annuity valuation services. She also stays up to date on state-specific figures and assists with administrative tasks as needed. Ellie has a bachelor's degree in Biology from St. Norbert College.

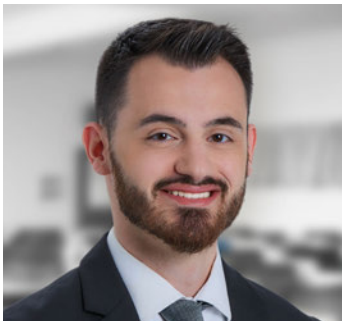
Marketing Team

AMY BEACHAM
MARKETING AND COMMUNICATIONS DIRECTOR

Amy oversees the Marketing team, develops presentations, and builds marketing strategies. She also coordinates with industry partners on collaborative projects and creates educational content to help our clients better understand and succeed in the industry. Amy has a bachelor's degree in History and is working toward her MBA in Marketing.

KATIE CAMANN
CONTENT MARKETING SPECIALIST

Katie drafts blogs and industry news articles and writes content for a variety of other marketing channels, including emails, white papers, and video scripts. She creates and edits much of the content that is used to reach, inform, and educate our clients. Katie has a bachelor's degree in Communication Studies from UW-La Crosse.



BRANDON ERIEAU
WEB DEVELOPER

Brandon writes code and builds out enhancements to boost website operations and improve the online experience for our clients. He also builds marketing emails and develops automation tasks to improve efficiency across the entire team. Brandon earned his associate degree in Computer Science from ITT Technical Institute.

ABBY FRANK
CREATIVE SPECIALIST

Abby designs a variety of creative works, including web pages, videos, digital marketing materials, emails, guides, mailers, and brochures. She brings the company's creative visions to life in order to attract, inform, and educate our clients. Abby has a bachelor's degree in Graphic Design and is currently working toward her MBA in Marketing.

ANDREW KRAUSE
DIGITAL MARKETING SPECIALIST

Andrew prepares email campaigns, plans social posts, creates digital ads, makes website updates, and reviews analytics reports. He analyzes data from past marketing campaigns to improve future campaigns with the intention of reaching and educating more clients. Andrew earned a bachelor's degree in Marketing from Marian University.

DANIEL SLATER
CREATIVE MARKETING DIRECTOR

Dan oversees the planning and execution of multiple creative projects and has played a major role in developing the company's brand identity. He edits videos, creates radio ads, designs website pages, and prepares direct mail campaigns. Dan earned a bachelor's degree in Animation with a minor in Web Design from the Southwest University of Digital Arts.

KATHERINE TURNER
EDUCATION AND EVENTS COORDINATOR

Katie works with event coordinators, staff members, and other organizations to ensure events run smoothly. She packages event materials, moderates webinars, and handles CLE certification for our attorney staff. Katie has a bachelor's degree in Business Administration from the University of New Mexico.

BRIAN VOGEL
DIGITAL MARKETING MANAGER

Brian manages the digital efforts of the company, including our websites, digital advertising campaigns, marketing automation, email marketing, CRM, and other digital tools, in order to improve the online experience for our clients. He has a bachelor's degree in Journalism from UW-Oshkosh, and he is certified in Google Analytics.

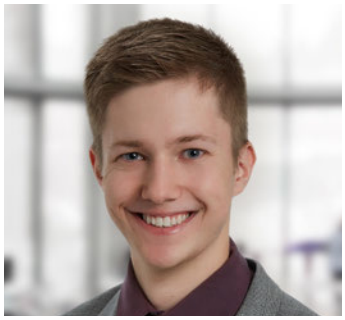
MORGAN HOIDA
MARKETING ASSOCIATE

Morgan assists with packaging and sending out event and educational materials, gathering reporting for marketing efforts, and helping out with events and webinars. She handles expense reporting for the Marketing team and collects social media analytics. Morgan has a bachelor's degree in Communication Studies from UW-Oshkosh.

Intern Team

ZION ESTANO
DATA ENTRY INTERN

Zion works on filing and assisting with other tasks for the Marketing team. She also helps with events and roadshows. Zion is currently attending UW-Green Bay where she is studying human development and education and working toward a degree in Early Childhood Education.



ZACH GOBLISCH
JUNIOR CRM SPECIALIST

Zach assists the Marketing department with data entry projects that allow the team to reach the right clients, printing and packaging event materials, and other administrative tasks. He is currently working toward his bachelor's degree and teaching license in English Education at UW-Green Bay.

Contact Us

Our main priority is helping our agents build their businesses and develop long-term care plans that work for their clients. Therefore, we place a high value on superior customer service. If you have any questions, don't hesitate to contact our office. One of our in-house experts will gladly assist you.

E-mail

Work with Krause & General Inquiries:
info@thekrauseagency.com

Application Support:
annuityservices@thekrauseagency.com

Marketing, Educational Materials, & Events:
marketing@thekrauseagency.com

Address

Main Office
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De Pere, WI 54115

Satellite Office
501 East Olas Boulevard
Suites 200 and 300
Fort Lauderdale, FL 33301

Operating Hours

7:00 a.m. – 5:00 p.m. CT

Phone

(800) 255-1932

Fax

(805) 683-6313

Schedule a Discovery Call

If you're interested in learning more about how we work together, schedule your free Discovery Call with one of our advisors at thekrauseagency.com/schedule.

Chat with Us Live

Start a live chat with one of our friendly staff members at thekrauseagency.com during our standard operating hours.

BOOK A FREE DISCOVERY CALL

Connect with one of our in-house advisors to learn how we can best serve you.

thekrauseagency.com/schedule

PRODUCTS

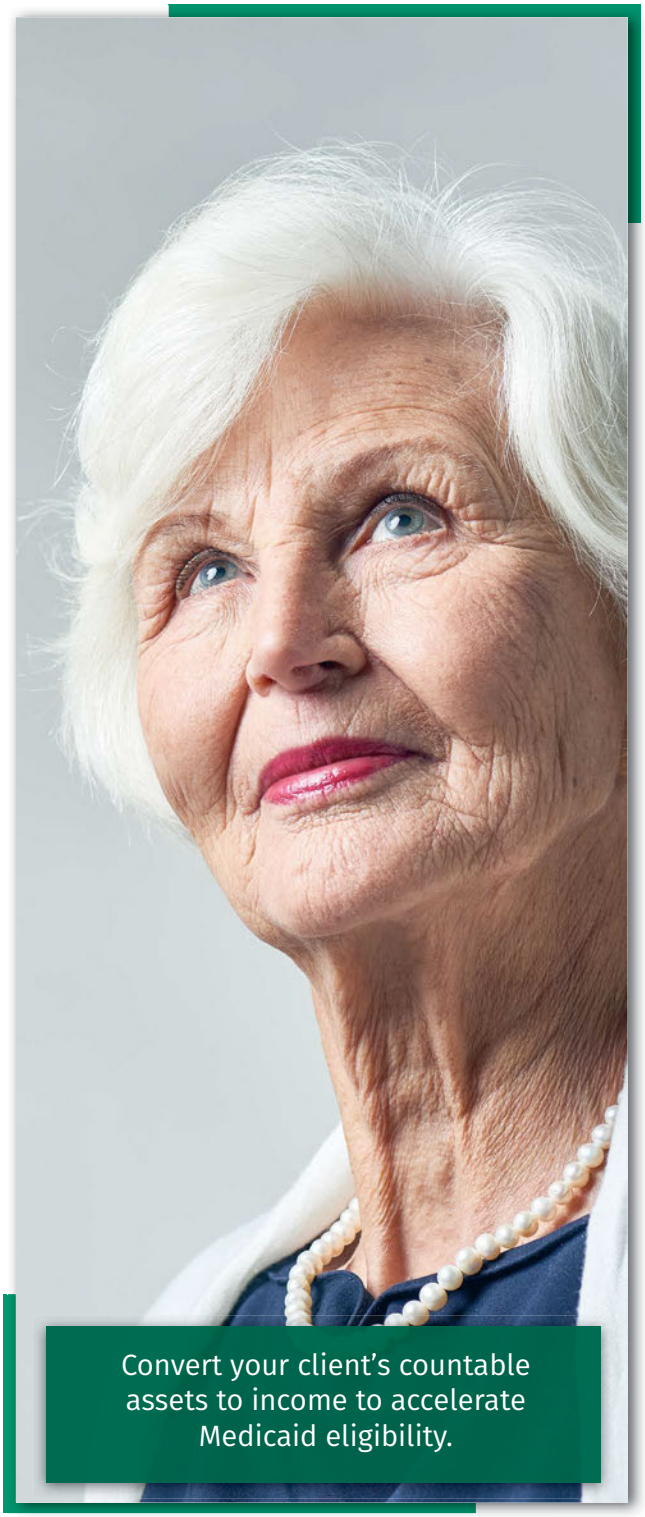
Medicaid Compliant Annuity

At the heart of our business is the Medicaid Compliant Annuity (MCA), a Single Premium Immediate Annuity that meets the requirements of the Medicaid program. An MCA converts countable assets exceeding the Medicaid limit into an income stream with no cash value. As one of the most powerful tools in the industry, MCAs eliminate excess assets while also accelerating eligibility for Medicaid benefits.

For more information, see page 50.

A MEDICAID COMPLIANT ANNUITY MAY BE RIGHT FOR YOUR CLIENT IF THEY:

- Are residing in a nursing home
- Have exhausted Medicare or Long-Term Care Insurance benefits
- Are paying out of pocket for care
- Have excess countable assets



Convert your client's countable assets to income to accelerate Medicaid eligibility.

Traditional Long-Term Care Insurance

Like a typical insurance policy, Traditional Long-Term Care Insurance (LTCI) consists of a premium paid in exchange for future benefits. Traditional LTCI is an excellent pre-planning tool that allows your clients to build a custom policy tailored to their budget and potential cost of care. Features include eligibility for a state partnership program, available inflation riders, and anonymous pre-screening.

For more information, see page 98.

Plan for future long-term care costs.

Grow assets while planning for future long-term care.

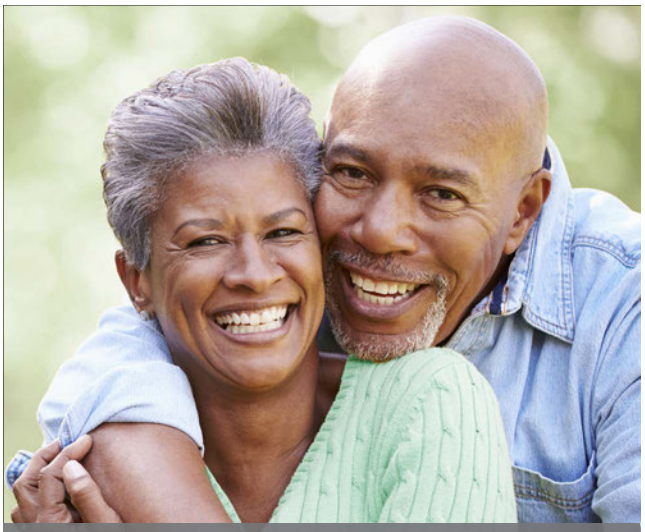
Hybrid Long-Term Care Insurance

Hybrid Long-Term Care Insurance (LTCI), also known as Asset-Based LTCI, contains a life insurance or annuity contract that has long-term care benefits attached. Hybrid LTCI is typically funded with a single premium, and the policy can be customized to fit each client's anticipated needs. Features include tax-deferred growth, a guaranteed death benefit, and a more straightforward underwriting process.

For more information, see page 99.

LONG-TERM CARE INSURANCE MAY BE RIGHT FOR YOUR CLIENT IF THEY:

- ☑ Are in good health and between the ages of 30 and 86
- ☑ Are worried about their future long-term care
- ☑ Want to avoid a financial crisis
- ☑ Want peace of mind



Long-Term Care Insurance is a perfect solution for clients who are concerned about facing long-term care expenses down the road.

Single Premium Deferred Annuity

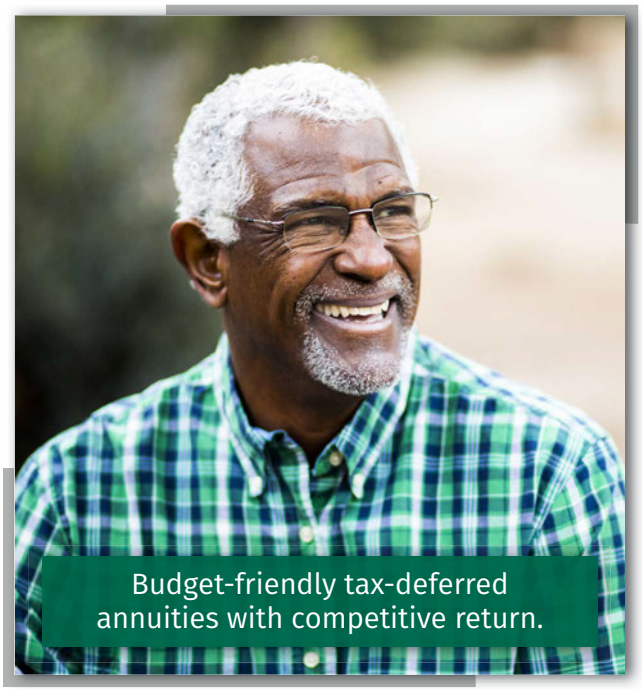
A Single Premium Deferred Annuity is a traditional insurance contract that can be purchased with as little as $5,000 and offers competitive rates of return on a tax-deferred basis. The interest earned on the contract is always accessible, but the owner doesn't pay taxes until they make withdrawals or annuitization begins. In most cases, 15% of the principal can be withdrawn without penalty. For information on current rates and other product features, visit our website.

[●]

PURCHASED WITH AS LITTLE AS	WITHDRAW PENALTY FREE
$5,000	**UP TO 15%***

* Applies in most cases. Not available in all states.

*For information on current rates and other product features, **visit thekrauseagency.com***



Flexible Premium Deferred Annuity

A Flexible Premium Deferred Annuity is a traditional insurance contract that earns a competitive rate of return and can be funded with multiple premium payments, starting with as little as $100. This type of annuity is a great option for those who can't afford to invest a lump sum or those who are looking to reinvest their annuals RMDs. For information on current rates and other product features, visit our website.

[●●●]

PURCHASED WITH AS LITTLE AS	WITHDRAW PENALTY FREE
$100	**UP TO 15%***

* Applies in most cases. Not available in all states.

*For information on current rates and other product features, **visit thekrauseagency.com***

Irrevocable Funeral Expense Trust

A staple in any estate plan, an Irrevocable Funeral Expense Trust consists of a small whole life insurance policy assigned to a funeral trust controlled by the insurance company. Upon the death of the insured, the funds can be used to pay for funeral and burial services. For Medicaid purposes, a policy with a face value below the state-specific limit (typically $15,000) is exempt. Irrevocable Funeral Expense Trusts provide competitive commissions for agents and serve as an easy add-on item for any spend-down plan.

Whole Life Insurance Policy

A Whole Life Insurance Policy is a life insurance contract that stays with the owner through death. For Medicaid purposes, a small policy (with a face value of $1,500 or less, in most cases) is exempt. These contracts are funded with a single premium and are guaranteed issue, meaning that no matter your client's health status, they can receive this small amount of coverage while eliminating cash assets.

Refusal Letters

Refusal Letters are letters from secondary market annuity buyers indicating their inability to purchase an annuity contract due to its restrictive provisions. In Medicaid planning, some states may require this additional documentation to demonstrate the viability of an MCA. Refusal Letters may also help support your client's case for undue hardship if they own an existing, non-compliant annuity that cannot be sold or altered.

For more information on all of our products, ***go to thekrauseagency.com***

SERVICES

Crisis Medicaid Case Analysis

Based on your client's unique case facts, we can develop a custom solution using a Medicaid Compliant Annuity. This proposal will outline a strategy to accelerate Medicaid eligibility, an annuity recommendation, and the projected economic results of the plan. If your client chooses to proceed, we'll guide you through the annuity application, purchasing process, and issuance of the contract.

OUR ANALYSIS INCLUDES:

Strategy for Medicaid Eligibility

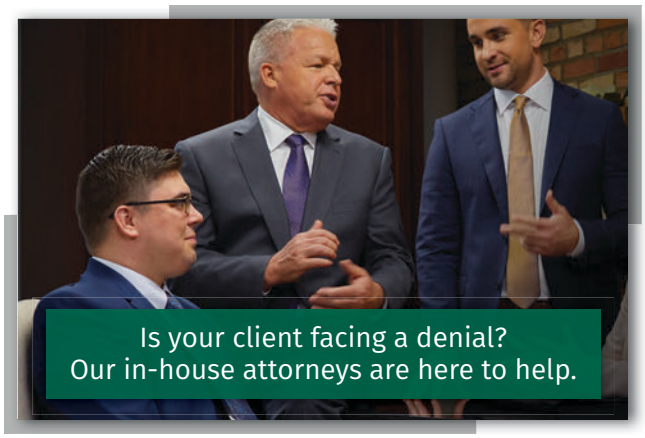
Annuity Recommendation

The Economic Results

Custom solutions for your client's case with application and product purchasing assistance.

Long-Term Care Insurance Consultation

Whether you have a client who is planning ahead for care or you want to learn how LTCI fits into your business, we offer complimentary consultations. Our in-house experts will provide guidance on available options and advice regarding how the policy can help when long-term care is needed. If your client chooses to proceed, we will work with you to secure the purchase and protect your client's financial future.



Expert Testimony and Litigation Support

If your client receives a Medicaid denial due to a product purchased through our office, our in-house attorneys will work with you throughout the fair hearing process. With this complimentary service, we will review your client's denial, advise you during the case, and help your client gain eligibility for the benefits they deserve.

Valuation of Non-Compliant Annuities

Many seniors applying for Medicaid own an existing annuity that prevents them from qualifying for benefits. In these cases, we will review the contract and determine its fair market value. Then, we will purchase the annuity for cash, allowing your client to pursue crisis Medicaid planning options. From valuation to sale, the process can take as little as two weeks.

For information on our other services, visit our website at thekrauseagency.com

5% COMMISSION

Agents earn 5% commission on a qualifying annuity purchase referral.

RESOURCES

Education and Training

eAcademy Webinars

Join our eAcademy webinar series to learn about a variety of topics associated with Medicaid and elder care planning. Our webinars often include real-life case studies that illustrate our popular planning strategies and conclude with a live Q&A session. Each one is led by one of our Krause team members or a trusted guest presenter.

To see our upcoming webinars and register, visit thekrauseagency.com/eacademy.

Video Library

Watch your way to a stronger understanding of Medicaid planning, marketing resources, and more. Our videos are designed to bolster your growth by breaking down complex topics into straightforward and understandable concepts. ***To gain access to our full video library, sign up for a free Agent Access account***.

Marketing Materials

In addition to having the right products and services, a solid marketing strategy is key to achieving success in your business. That's why we offer educational materials and resources to help you promote your business online as well as with traditional marketing efforts. To get started, check out our videos, white papers, blogs, and more.

Case Studies

See our most popular planning strategies in action with comprehensive case studies, which take real-life examples and break them down into easily digestible steps toward a long-term care solution. To view our MCA case studies, turn to page 74.

Blogs and Industry News

Stay up to date with the latest planning tips, legal updates, and news. Our blogs go in depth on crisis Medicaid planning strategies and other tough issues in the elder care industry, while our Industry News pieces highlight breaking news relevant to your clients and your business.

Social Media

Follow The Krause Agency on Facebook, LinkedIn, Twitter, and Instagram for regular updates on Medicaid regulations, new eAcademy webinars, recent blogs, national news, and an inside look at our company culture.

Access all of these resources and more by creating a free Agent Access account.

Agent Access

Agent Access is our exclusive online portal designed to help insurance agents, advisors, and other financial professionals succeed in long-term care planning with their senior clients.

Create your free account to get instant access to exclusive content, state-specific resources, a personalized dashboard, and more.

Exclusive Content

Your Agent Access account grants you exclusive access to select video series, crucial planning updates, and our archive of past eAcademy webinar episodes. This content is designed to help you enhance your offering to clients and grow your business in the process.

State-Specific Resources

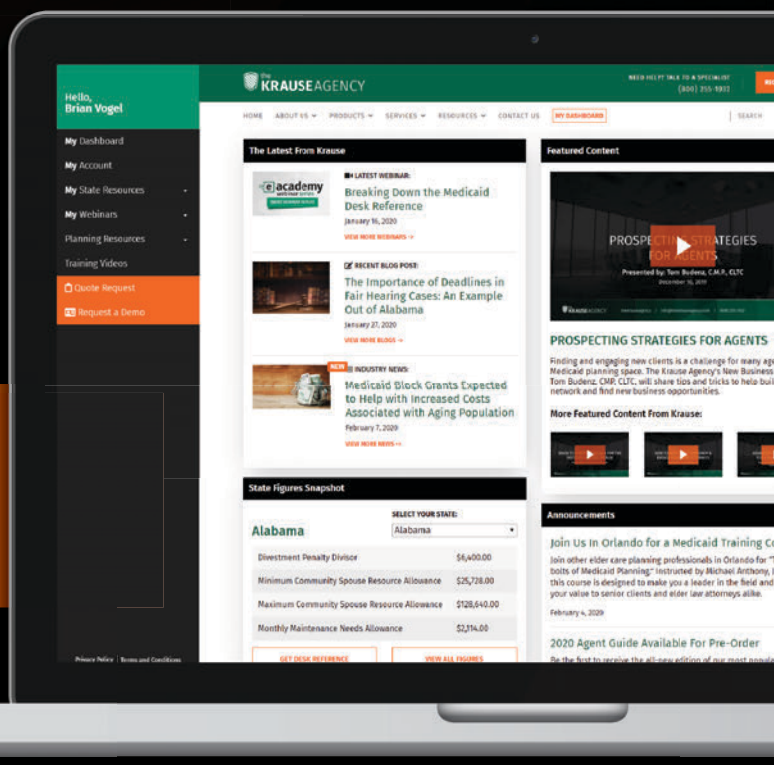
State-specific information is crucial to succeed in crisis Medicaid planning, which is why we work hard to compile this data for you. Through Agent Access, you gain access to the latest Medicaid planning figures and the Medicaid manual for your state.

Personalized Dashboard

With an Agent Access account, you have your own personalized dashboard featuring the latest resources from our office, suggested content, educational materials, and vital account information. You can also request a quote or planning assistance from the dashboard.

EXCLUSIVE
FEATURES INCLUDE:

- *White papers*
- *Marketing materials*
- *Announcements from Krause*
- *And more!*



SIGNING UP IS QUICK, EASY, AND FREE.
Visit thekrauseagency.com/start to create your free account today!

How We Work With You

We do more than just provide a product – we offer the service, support, and education needed to use that product successfully and increase your bottom line in the process.

If you want to incorporate Medicaid planning into your business, we can help. We offer the tools to educate and empower you, so you can better serve your senior clients while simultaneously enhancing your business. If you have a client who you think could benefit from a Medicaid Compliant Annuity or one of our other unique products, simply contact us to get started.

[WE'RE WITH YOU EVERY STEP OF THE WAY]

WHEN YOU WORK WITH US, YOU'RE NOT ALONE. WE SUPPORT OUR AGENTS THROUGH EVERY STAGE OF THE PLANNING PROCESS. NO QUESTION IS TOO SMALL AND NO PROBLEM IS TOO BIG FOR US TO HANDLE. WE'VE GOT YOU COVERED FROM START TO FINISH.

WORKING WITH US IS AS EASY AS. . .

1

YOU PROVIDE US THE CASE FACTS.

To start, simply give us some of the case facts, such as marital status, health status, state, assets, and income.

2

WE PROVIDE A CUSTOM ANALYSIS.

Next, we'll come back with a financial analysis, a product recommendation, and an overview of the economic results.

3

YOUR CLIENT COMPLETES THE INSURANCE APPLICATION.

Once you're ready to proceed, we can walk you and your client through the application paperwork.

4

WE PROCESS THE PAPERWORK.

When we receive the application, we review it to make sure everything is correct and compliant with your state's regulations before submitting to the insurance company.

5

YOUR CLIENT GETS THE BENEFITS THEY DESERVE.

Whether your client was seeking Medicaid with an annuity or Long-Term Care Insurance, we help expedite the process and get a win for your client.

Not sure where to begin?
If you want to learn more about our products and strategies before diving in, we can help with that, too. We carefully craft first-class educational resources to help you become an expert in the field. From webinars and educational videos to the guide that's in your hands right now, we're committed to providing the information you need to succeed. Visit thekrauseagency.com/schedule to set up a Discovery Call with one of our advisors.

READY TO GET STARTED?

SCHEDULE YOUR FREE DISCOVERY CALL TODAY AND GET YOUR QUESTIONS ANSWERED

thekrauseagency.com/schedule

HOW TO SUCCEED IN THE INDUSTRY

Why Work in Long-Term Care Solutions?

The elder care industry presents a growing opportunity for insurance agents and financial advisors. As thousands of prospective clients turn 65 every day, more aging Americans are seeking a trusted advisor. Seniors need agents who understand how their financial planning affects their future, specifically as it relates to long-term care. Most don't realize that long-term care comes at a substantial cost. Nursing home bills often run $90,000 or more per year, and many seniors quickly deplete their life savings trying to pay for the care, treatment, and support they need.

The need for long-term care planning has never been greater than it is right now. The pandemic and economic crisis in 2020 made many seniors reevaluate their future plans, from exploring long-term care solutions to ensuring their financial stability in retirement. As a result, more older adults are seeking out professionals like you to guide and advise them through the planning process. This presents an incredible opportunity for you to help more aging adults, grow your business, and boost your revenue stream.

The Long-Term Care Spectrum

In a recent survey, 47% of adults in the U.S. believed they would receive care from their spouses in old age, and 26% believed they would receive care from their children.* Many seniors assume their families will be able to take care of them, and many children assume they will be able to care for their elderly parents. However, these assumptions fail to account for real-life factors. What if both spouses are in poor health? Are adult children expected to carry this burden while also working full-time and supporting their own families? Although most people would rather avoid it, professional long-term care is inevitable for many seniors.

*Statista Care & Support Survey
**Pew Research Center

When people think of long-term care, a nursing home is often what comes to mind. Unfortunately, many seniors aren't prepared for the cost of a nursing home. Many of them are also unaware of the cost of avoiding a nursing home and the risks associated with not seeking proper care. The reality is that long-term care takes on many forms and presents many options to your clients. Understanding and planning for these options is crucial for your clients to live comfortably in their old age.

HOME HEALTH CARE $4,576 PER MONTH**

If given a choice, most seniors would prefer to stay at home as long as possible. Home health care allows them to receive the support they need from a professional caregiver while maintaining independence in their own home.

ASSISTED LIVING $4,300 PER MONTH**

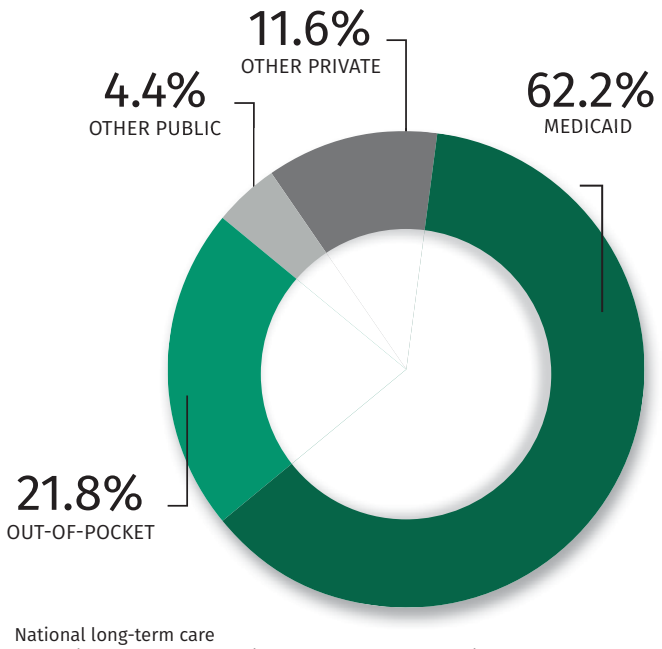
Assisted living facilities are designed to blend full-time care with a level of autonomy for residents. Seniors can receive assistance with daily activities while also remaining independent to a certain degree.

NURSING HOME $7,756 PER MONTH**

A nursing home provides 24-hour nursing care to elderly or disabled residents. Seniors who need assistance with three or more Activities of Daily Living (ADLs) may require skilled nursing care at a nursing home.

* Centers for Medicare & Medicaid Services
**Genworth Cost of Care Survey 2020

The Payers of Long-Term Care



National long-term care expenditures by source provided by The SCAN Foundation.

" The problem many seniors face with LTCI is failing to plan ahead. "

"Other Private" – Long-Term Care Insurance (LTCI)

The best option for paying for long-term care is LTCI. Most policies cover a wide range of services, including at-home care, assisted living facilities, and nursing home care. The problem many seniors face with LTCI is failing to plan ahead. LTCI issuance is dependent on the health and age of the individual, so an elderly person in poor health would be denied coverage. Encourage your younger, healthier clients to consider LTCI now, before it's too late.

"Other Public" – Medicare and VA

Many believe the misconception that Medicare will cover a nursing home stay. The reality is that Medicare will only cover skilled nursing care in a rehabilitative setting after a qualifying hospital stay of at least three days. If a nursing home resident qualifies for Medicare assistance, the coverage is temporary. Medicare only offers full coverage for 20 days and partial coverage for 80 additional days, which only applies if the patient continues to qualify under the rehabilitative category during the 100-day benefit period.

MEDICARE PART A SKILLED NURSING FACILITY COINSURANCE

- **Days 1–20:** $0 for each benefit period
- **Days 21–100:** $185.50 (for 2021) coinsurance per day of each benefit period
- **Days 101 and beyond:** all costs

Another public payer of long-term care is the VA pension benefit. Unfortunately, this benefit is typically not enough to cover the entire nursing home bill. Additionally, recent rule changes have made it more difficult for qualified veterans to accelerate their eligibility for VA benefits.

2021 VA AID & ATTENDANCE MONTHLY PENSION RATES	
Single Veteran	$1,936
Married Veteran	$2,295
Surviving Spouse	$1,244
Veteran Married to Veteran	$3,071

Out-of-Pocket

Since many seniors are unprepared for a nursing home stay, plenty of them pay out of their own pocket for long-term care expenses. Individuals with a substantial net worth may be able to rely on their personal savings to pay the nursing home bill, but most seniors will deplete their assets within one year of entering a nursing home.

Medicaid

Medicaid is a joint federal- and state-funded program that pays for the majority of long-term care costs in the U.S. Medicaid covers the cost of a person's custodial care in a nursing home, including room and board, pharmacy, and incidentals. It's intended to provide financial assistance for long-term care to those with limited income and resources. To qualify, applicants must meet specific eligibility criteria, both financial and non-financial. Most people don't automatically qualify for Medicaid, and they believe they must exhaust their net worth before receiving financial assistance, leaving nothing behind for their children and loved ones.

MEDICAID COVERS

- ROOM
- BOARD
- PHARMACY
- INCIDENTALS

*United States Department of Health

75% of single individuals and 50% of couples will **exhaust their life savings within one year** of entering a nursing home.*

Planning for long-term care can be complicated and confusing. Plus, with the growing number of seniors requiring care, the need for professional help to navigate this stage of life has never been greater. Once you have the knowledge and tools you need to help seniors plan for their care, you still need to be able to reach new and prospective clients.

IF YOU'RE LOOKING TO GROW YOUR BUSINESS AND REACH MORE SENIORS IN NEED, WE HAVE SOME RESOURCES AND TRAINING TO HELP YOU ALONG THE WAY.

*National Center for Assisted Living
**Centers for Disease Control and Prevention

How to Incorporate Long-Term Care Planning

Now that we've explored the long-term care landscape, you may be feeling overwhelmed. In order to provide appropriate recommendations to your senior clients, you have to understand and stay up to date on a lot of information. That's what we're here for—to support you and your clients through the process.

IT'S NOT ALL ABOUT MEDICAID PLANNING.
WE'RE HERE TO HELP YOU SUCCEED IN YOUR BUSINESS.

Education and Training

Since it is vital for you to have a strong understanding of the strategies and products surrounding Medicaid planning, we are here to educate and train you. That's why we offer so many resources and tools for you to utilize, including this comprehensive guide, live and on-demand webinars, educational video series, white papers, and blogs covering a wide variety of relevant topics.

We encourage you to sign up for a free Agent Access account on our website to access exclusive content and educational materials. We also invite you to follow The Krause Agency on social media to hear about any new resources we have to offer. Stay tuned for more new and exciting training opportunities!

To see our upcoming webinars and events, visit thekrauseagency.com.

Building Referrals

Although crucial to succeeding in the industry, education and training are just two aspects of what makes a prosperous business. The most successful agents are experts at building relationships with the right individuals and leveraging those relationships into referrals. These are a few referral sources you can use to create a steady influx of business and make you the go-to long-term care agent in your area.

Senior Citizen Organizations

One of the largest referral sources for agents is simply their target market – senior citizens. Get involved with local organizations for seniors, such as retirement communities, the VFW, church groups, Alzheimer's Association, Meals on Wheels, or the Salvation Army. In addition to getting in touch with seniors in your area, these organizations can help you earn trust and respect by becoming an active part of your community.

Nursing Homes

In addition to other long-term care facilities, you may benefit from working directly with nursing homes. Most nursing home facilities employ or work closely with social workers who specialize in Medicaid benefits, but the only advice social workers can provide to residents is to spend their money on care and apply for Medicaid later. Unfortunately, this option often leaves nothing for the senior's loved ones. As an agent, you can provide products and services to help them qualify for Medicaid, even if they have complicated assets, such as extra land or vehicles.

Assisted Living Facilities and Home Care Agencies

Many agents who work with us have found great success building relationships with staff at long-term care facilities. Getting your foot in the door at assisted living facilities and at-home care agencies can give you access to potential clients before they enter their next stage in the long-term care spectrum—the nursing home. These seniors are likely afraid of the financial ramifications of entering a nursing home and may benefit from your guidance during the transition.

Real Estate Agents

Many seniors who enter a nursing home end up having to sell their home. This can even happen for married couples in the event the healthy spouse is unable to maintain a large home or they are moving into an assisted living facility. Therefore, being associated with real estate agents in your area can help boost your business. As seniors or their loved ones are looking to sell their home in the midst of a nursing home crisis, they can learn about the services you offer.

Attorneys

Although most Medicaid planning is financial, applying for benefits is primarily a legal matter. As such, it's crucial to have a well-informed elder law attorney in your corner. An attorney can also serve as one of your biggest sources of business as long as they understand you're committed to providing the best possible solutions for their clients in crisis. You can prove your value by displaying your expertise in the industry. To learn more about working with elder law attorneys, see page 63.

Marketing 101

In addition to building strong referral networks, an important part of winning new clients and fostering existing relationships is marketing your business. While traditional marketing channels, such as television, print, and radio have their place in promoting your business, digital marketing is an essential tool for you to be using, especially in this day and age. Establishing and maintaining an active online presence improves your trustworthiness as an agent, and being accessible online, through social media and your website, is more important now than ever before. You have more access to digital advertising tools that allow you to pinpoint your audience and reach them online.

Whether you're just getting started with marketing or looking for new ways to grow your marketing efforts, we want to equip you with the knowledge and tools you need to succeed. We understand it can be difficult to navigate the ins and outs of digital marketing, and we want to help you get started.

Website & SEO – Establish a Strong Online Presence

One of the best ways you can stay active online is by building and maintaining a website. Your website can act as an e-brochure that is easily accessible to the public, providing information about you, the products and services you offer, and how people can get in touch with you. It allows you to establish a brand identity for you and your business, making you more easily recognizable to potential clients in your area. Your website also gives you credibility, so when a prospective client searches for you online, they can find your website and learn more about you and your business.

Once you've established your website, you can take it to the next level and enhance its performance by incorporating SEO and content into your digital marketing strategy. SEO, which stands for Search Engine Optimization, involves incorporating specific elements into your website and content in order to appear higher on search results pages. A simple way to get started is by including your location and nearby cities in the headings and content on your website. This can increase the likelihood that your website shows up when people in your area search for an insurance agent or specific insurance product.

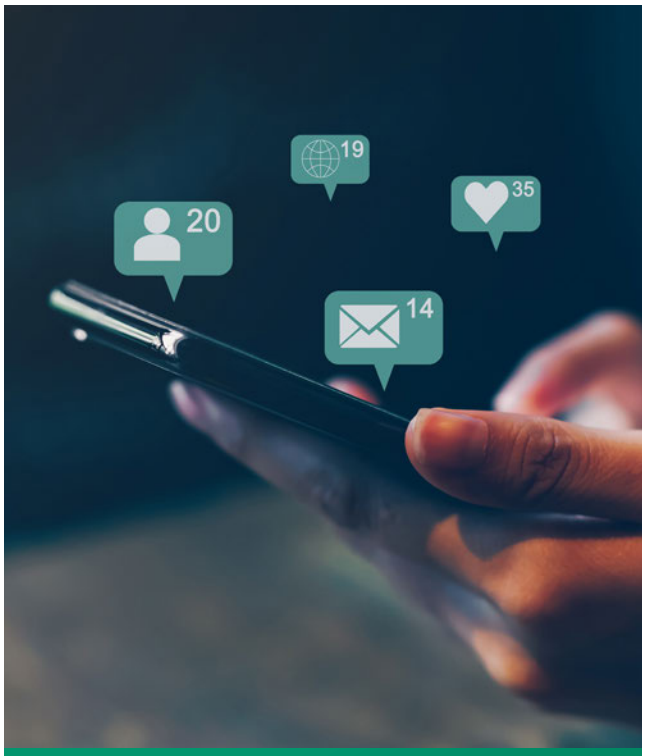
Another way to enhance your online presence is by posting helpful content for your intended audience on your website. This could be something as simple as uploading a blog once a week. As an expert in the industry, you have information that your clients are seeking. For example, if they're curious about life insurance or trust options and they come across a blog on your website, they'll be more likely to choose you as their advisor once they're ready to take the next step.

While you might be under the impression that websites are expensive to create and maintain, the reality is you have plenty of cost-effective, even free, options for creating your own website. We recommend looking into Wix, Squarespace, or Google My Business. You can also create a free Google Analytics account to view and analyze your website traffic. Google also offers free courses to learn more about My Business, Analytics, and the other website-specific tools it offers.

> "Although it might take some extra time and energy initially, a solid website and SEO strategy can make all the difference for your business."

Social Media – Engage with New and Potential Clients

In addition to building a website and SEO strategy, another essential digital marketing tool is social media. Social media is one of the most rapidly growing tools for businesses. Over three billion people utilize social media across several channels, including Facebook, LinkedIn, Twitter, Instagram, and others, each of which has its own unique atmosphere and strategy. For instance, Facebook is geared toward family, friends, and businesses, while LinkedIn is more for business-to-business interactions and professional networking. Twitter tends to be more in-the-moment with feeds updating quickly. Instagram is solely for images and videos, whereas the other platforms can also include text posts and links in addition to visuals.



- 3.5 billion social media users worldwide
- An average of 3 hours per day spent on social networks
- 54% of social media users use social media to research products

FACEBOOK

- About 70% of U.S. adults use Facebook
- 65% of users are age 35 or older
- Emphasis on visuals
- Go-to source of information for users

TWITTER

- 1 in 5 U.S. adults use Twitter
- Most popular among ages 18-29
- 280-character limit for posts
- Fast-paced, real-time engagement

LINKEDIN

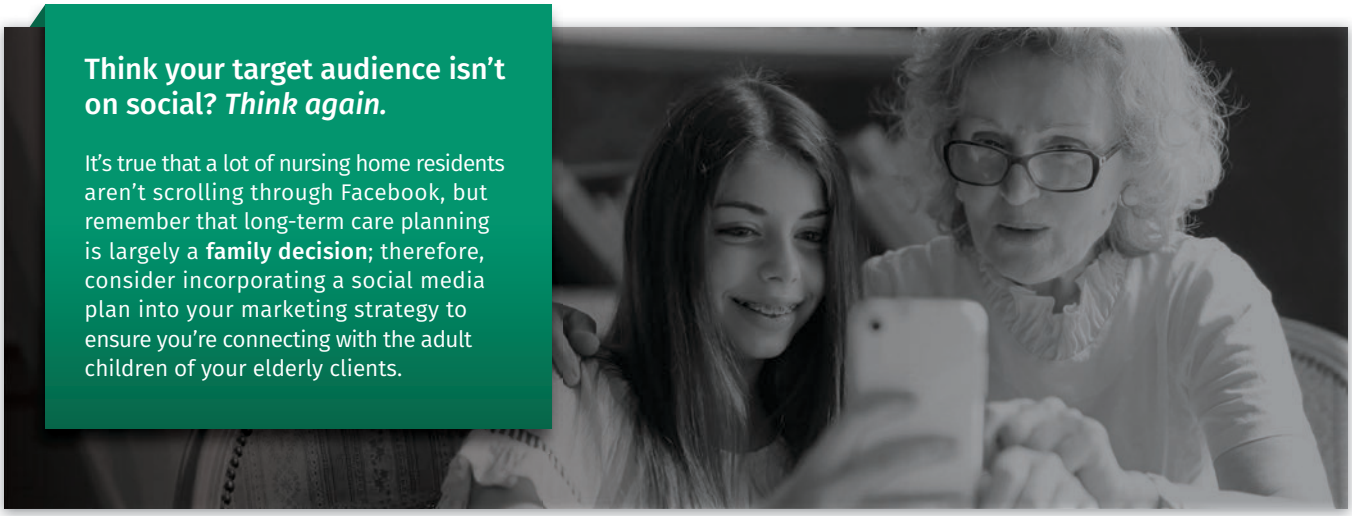
- 171 million LinkedIn users in the U.S.
- Primarily for B2B networking
- Ideal for interacting with other agents and elder care professionals

INSTAGRAM

- 130 million Instagram users in the U.S.
- Most users are younger than 34
- Exclusively focused on visuals
- On-the-go posting

Think your target audience isn't on social? *Think again.*

It's true that a lot of nursing home residents aren't scrolling through Facebook, but remember that long-term care planning is largely a **family decision**; therefore, consider incorporating a social media plan into your marketing strategy to ensure you're connecting with the adult children of your elderly clients.



No matter which social media channels you utilize, it's important to build out your profile and include your contact information as well as details about your business and what you offer. In addition to your website, prospective clients use social media to learn more about businesses they are interested in working with. Once you begin posting, make sure you maintain consistency with your post frequency and share a variety of content, including links to your website, relevant news articles, images, and videos.

Although all types of content are important to maintain variety, videos are especially important. Forbes found that 65% of shoppers visited a seller's website after watching a video. People enjoy video content on social media since it allows them to consume information without having to read an article or visit a different website. Consider sharing an answer to a frequently asked question through a video or making a video to explain one of your products in more detail. The best part is you don't need any fancy recording equipment; all you need is your smartphone. Consumers appreciate raw, authentic videos as opposed to formal, over-produced videos.

Engagement is a crucial aspect of social media since it allows you to interact directly with prospective clients in a more casual environment. Make sure you respond to messages and comments in a timely manner and seek opportunities to continue the conversation via phone or in person.

KEY TAKEAWAYS

- Take advantage of social media to reach prospective clients
- Build out your profiles and post consistently
- Share a variety of posts and engage with your followers

Digital Advertising—Reach the Right Audience

Another aspect of social media and digital marketing in general is digital advertising. Similar to traditional advertising, digital advertising allows you to pay a certain amount of money in order to increase your online reach and get your website or social media posts in front of the right audience. Although digital advertising encompasses several different categories, we recommend starting with the following types of ads:

- **Keyword Ads:** Keyword-based ads are delivered through search engines like Google. They can also be placed on sites like YouTube, Bing, Yahoo, and others. When you purchase certain keyword ads, your ad may show up at the top of the search results page for specific queries, but you won't be charged unless someone actually clicks on your ad.

- **Demographic and Interest Ads:** These types of ads allow you to target specific groups of people based on their location, age, education, marital status, job, and other characteristics. Facebook is the most common platform for demographic and interest ads since most users indicate these characteristics on their profile and through their page likes and behaviors. Other social media platforms also offer similar advertising tools. While keyword advertising only uses text, demographic and interest ads allow you to use images, videos, and links.

- **Remarketing Ads:** Remarketing allows you to display your ads to users who have already taken some sort of action with your brand, such as visiting a page on your website or engaging with a different ad. This type of advertising can be placed on just about any platform, including Google and Facebook, and is crucial for reengaging users who have already expressed interest in your business.

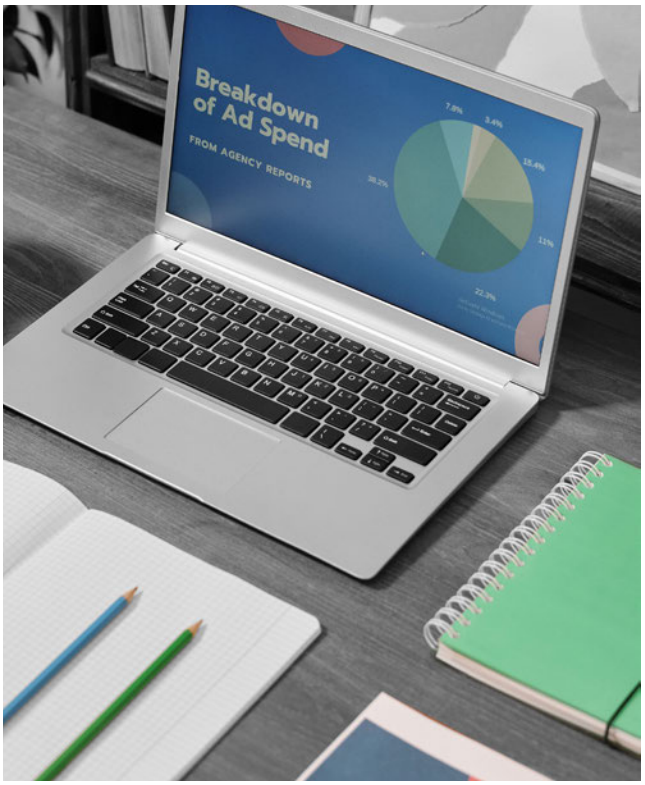
If you'd like to learn more about creating digital ads for your business, we recommend starting with Google and Facebook. Both platforms offer a variety of free training lessons. Google even offers a Google Ads certification through Skillshop as well as individual trainings for different types of ads. Likewise, Facebook makes it easy for you to learn about advertising through their platform with Facebook Blueprint.

KEY TAKEAWAYS

- Utilize digital advertising to reach your intended audience
- Start with keyword, demographic and interest, and remarketing ads
- Take advantage of digital ad trainings through Google and Facebook

Enhance your business, win new customers, and engage with your clients through digital marketing.

- *To learn more about digital marketing and other essential tools for growing your business, check out our Grow Your Business video series through your Agent Access account. Visit* **thekrauseagency.com/start** *to create your free account today.*



The Financial Opportunity

Now that you have a better understanding of the growing opportunity in the elder care space and how to gain new business, you might be wondering, "How can I make money in this industry?" Fortunately, when you work with our team at The Krause Agency, we provide access to unique products and services that you can use to boost your revenue while also helping your senior clients.

An Arsenal of Products

When it comes to long-term care planning, seniors have two options: pre-planning and crisis planning. Pre-planning takes place in advance and allows an individual to incur funds for a potential nursing home stay, while crisis planning occurs when an individual has failed to plan ahead and is either in a nursing home or about to enter one. Fortunately, we offer products for either situation. Beyond long-term care planning products, we also offer retirement investment products that can benefit clients of any age. With such a diverse product offering, you can provide solutions to your clients no matter their current financial situation.

Commissions

You can earn competitive commissions on many of our products, including Irrevocable Funeral Expense Trusts, Tax-Deferred Annuities, and Long-Term Care Insurance. Medicaid Compliant Annuities with longer terms may also provide a commission. The commission amount is dependent on the insurance carrier as well as the agent's level of experience. For specific information about the commissions on our products, contact our office directly.

Fees

Charging fees is the best way to increase your revenue through Medicaid planning. We understand you may be hesitant to charge a fee to your clients, but it's important for you to realize that most of them are used to paying fees for financial planning services. Since you are providing them a necessary service with a significant economic outcome, they likely view the fees as a small price to pay for a large benefit.

A NEW NORMAL?

Fee structures are becoming a more common revenue source for insurance agents than commission-based models. Now is a great time to get comfortable discussing fees with your clients.

When discussing fees with a client, we recommend waiting until after you determine the structure of the plan and review its benefits. Then, you can explain the fees required for the planning and the products involved in a simple and straightforward way. Charging a fee is normal, so avoid placing too much focus or pressure on this part of the conversation. **Remember, your client is receiving a high-value service that is saving them a lot of money.**

Medicaid plan with a financial benefit

Fee paid to the agent or advisor

Not sure where to begin when it comes to charging fees? Don't worry. We have developed a streamlined process to help you get the payment you deserve from your clients—***the Agent Advantage program.***

Get the Agent Advantage

In order to provide you compensation in cases with little or no commission, we offer The Krause Agency Agent Advantage program. It allows you to easily obtain the payment you deserve without having to charge a separate fee to your client. Enrolling in Agent Advantage is completely optional, and you can choose to unenroll at any time.

How Does Agent Advantage Work?

With Agent Advantage, your client pays a larger processing fee on short-term annuities of 71 months or less. After we receive the processing fee, we retain our base fee and provide your portion back to you as compensation. The best part? You can choose your compensation up to the amount of our fee cap.

WITHOUT AGENT ADVANTAGE

Fee Charged to Client: $1,750*

Payment to You: $0

VS.

**For illustrative purposes only. Actual fees and payments may vary.*

WITH AGENT ADVANTAGE

Fee Charged to Client: $3,500*

Payment to You: $1,750*

BENEFITS OF AGENT ADVANTAGE

- YOU GET PAID FOR YOUR TIME AND EFFORT
- IT'S EASIER FOR YOUR CLIENT TO PAY ONE SINGLE FEE
- GETTING STARTED IS SIMPLE AND STRAIGHTFORWARD

READY TO GET STARTED?

1. **Enroll** with The Krause Agency
2. **Submit** business using the application packet
3. **Get paid** when we receive the client's payment

CONTACT OUR OFFICE TODAY TO ENROLL!

NOW THAT YOU HAVE A FOUNDATION OF SUCCESS IN THE ELDER CARE INDUSTRY,

IT'S TIME TO WALK THROUGH THE INS AND OUTS OF PLANNING FOR MEDICAID AND LONG-TERM CARE.

THE MEDICAID PROGRAM

Medicaid is a government program that provides health insurance coverage to those with limited income and resources. Although the program's eligibility and coverage standards have changed in the 55 years since it was originally established, Medicaid remains the primary source of assistance for long-term care costs in the U.S.

When it comes to long-term care, Medicaid benefits cover custodial care, including room and board, pharmacy, and incidentals, in a Medicaid-approved facility. This is typically a skilled nursing home, but some states engage in waiver programs that extend Medicaid benefits to assisted living facilities or at-home care programs. Medicaid rules and regulations vary by state and include strict financial and non-financial qualifications.

The reality is that most seniors have too many assets to qualify for Medicaid and are unable to meet the eligibility requirements until they've depleted their life savings paying the nursing home bill. Fortunately, it's never too late to plan, even for those who are already in a nursing home.

Eligibility Requirements

Non-Financial Eligibility Requirements

In order to meet the non-financial requirements for Medicaid, an individual must be:

- *A U.S. citizen or qualified alien*
- *Age 65 or older, blind, or disabled*
- *A resident of a Medicaid-approved facility*

Financial Eligibility Requirements

The financial requirements for Medicaid are much more complex than the non-financial constraints, and they fall under two major categories: income and assets. Having too much income or too many assets will prevent a person from qualifying for benefits.

MEDICAID COVERS

- ROOM
- BOARD
- PHARMACY
- INCIDENTALS

TWO TYPES OF FINANCIAL ELIGIBILITY REQUIREMENTS:

INCOME

ASSETS

INCOME

Income eligibility for Medicaid differs depending on whether the applicant is single or married.

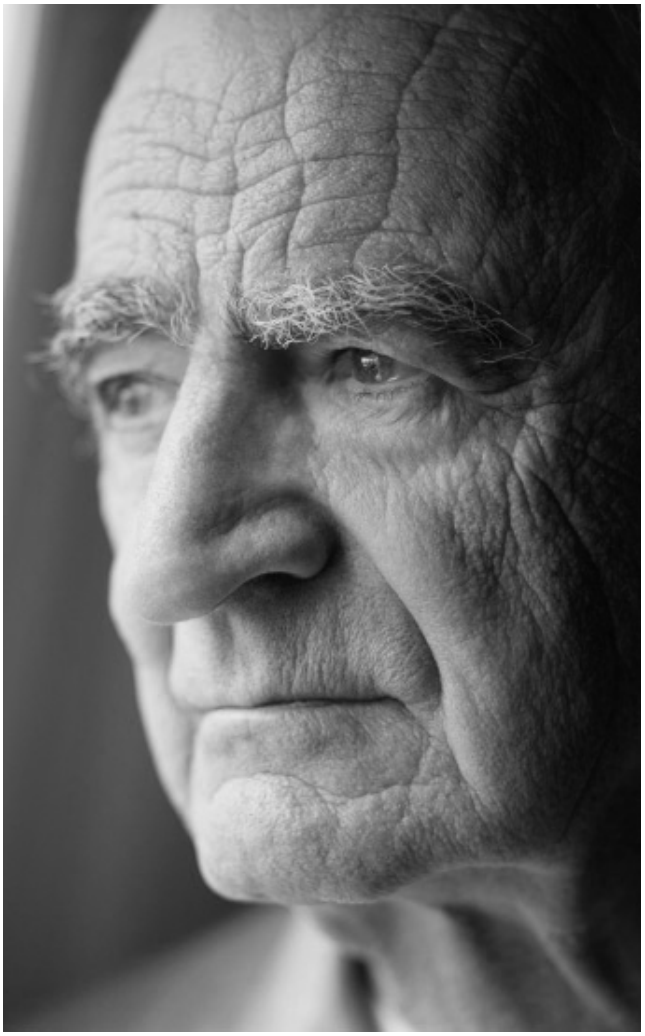
Single Person

In most states, an individual's income must be less than the private-pay rate of the facility. Their income typically includes Social Security, pension, and other sources. Some forms of income may be exempt, but these exemptions are rare. In most cases, all of the individual's earned and unearned income will be counted. A few states apply an income cap separate from the nursing home bill.

About half of states apply an additional income restriction. If the applicant's monthly income exceeds 300% of the SSI rate, it must flow through a Qualified Income Trust (also known as a QIT or Miller Trust). For 2021, this limit is $2,382.

WHAT IS A QIT?

A QIT is an irrevocable, income-only trust that holds the income of the Medicaid recipient. Each month, income flows into the trust. From there, the trustee disburses the recipient's allowable expenses. Any funds remaining in the trust after death are subject to reclaim by the state Medicaid agency. Most states only require income above the cap to flow through the trust. However, when in doubt, plan conservatively and put all the client's income into the trust.



Married Couple

In the case of a married couple, the spouse in the nursing home, also known as the institutionalized spouse, is subject to the individual rules outlined above. The spouse living at home, also known as the community spouse, is not subject to income limitations or restrictions. However, if a couple receives joint income, one-half is attributed to the institutionalized spouse's income for Medicaid purposes.

ASSETS

For Medicaid purposes, assets are divided into two categories: exempt and countable.

Exempt

Exempt assets are not considered when determining an applicant's Medicaid eligibility. Therefore, the nursing home resident and/or the community spouse can retain these assets without jeopardizing benefits. Common exempt assets include:

- *Primary residence*
- *One vehicle*
- *Personal effects and household items*
- *Life insurance**
- *Irrevocable Funeral Expense Trust**

**If the face value is below a state-specific limitation*

IS THE PRIMARY RESIDENCE REALLY EXEMPT?

In most cases, yes, the primary residence is exempt for Medicaid purposes. Exceptions exist in cases where a community spouse or minor or disabled child are not occupying the residence, and the Medicaid applicant's equity in the home exceeds the state-specific limitation (between $603,000 and $906,000 in 2021).

Countable

Countable assets include any non-exempt resources or pieces of property that hold monetary value and could be liquidated. An applicant's countable assets cannot exceed a certain amount, which varies by state and is different for the institutionalized spouse and the community spouse. Common countable assets include:

- *Checking or savings accounts*
- *CDs or Money Market accounts*
- *Stocks, bonds, or mutual funds*
- *Additional real estate or vehicles (including boats and RVs)*
- *Land contracts, promissory notes, or annuities with value on the secondary market*
- *IRAs (depending on the state—see page 56)*

Individual Resource Allowance

The Individual Resource Allowance, which is $2,000 in most states, pertains to the amount of countable assets a single individual or institutionalized spouse can retain while still qualifying for Medicaid benefits. A separate allowance is designated for the community spouse.

Community Spouse Resource Allowance

The Community Spouse Resource Allowance (CSRA) pertains to the amount of countable assets a community spouse may retain while still qualifying the institutionalized spouse for Medicaid benefits. This allowance varies by state but is generally between $26,076 and $130,380 in 2021. Some states apply a standard CSRA, and others apply a minimum and maximum allowance dependant on the total countable assets owned by the couple.

WHAT'S THE MAIN REASON PEOPLE ENTERING A NURSING HOME DON'T AUTOMATICALLY QUALIFY FOR MEDICAID?

In most cases, they have too many countable assets. To become eligible, they must spend down these assets. Some can achieve this by purchasing exempt assets or paying off existing debts. Others are stuck with a hefty nursing home bill for several months before falling below the asset limit and becoming eligible for benefits.

Spousal Impoverishment

One of the biggest concerns for married couples who are looking to qualify for Medicaid is the financial wellbeing of the community spouse. That's why the Medicaid program contains standards to avoid spousal impoverishment. The goal is for the spouse at home to maintain their current lifestyle within the community. This is done through asset and income regulations that ensure the community spouse is not left destitute once their loved one enters a nursing home.

Community Spouse Resource Allowance

While the institutionalized spouse can keep an Individual Resource Allowance of $2,000 (in most states), the community spouse is entitled to retain a much larger amount known as the Community Spouse Resource Allowance (CSRA). Although the community spouse must initially spend down to be within their CSRA, once eligibility is achieved, Medicaid will no longer consider any of the community spouse's assets as available to the institutionalized spouse. This means the community spouse can retain assets in excess of the CSRA after the institutionalized spouse begins receiving benefits.

Standard CSRA States

Some states apply a standard CSRA for all cases involving a married couple. In these states, the couple must spend down their excess countable assets to this limit in order to qualify the institutionalized spouse for Medicaid. The amount varies by state but is generally capped at $130,380 in 2021.

Minimum/Maximum CSRA States

Most states apply a minimum and maximum CSRA. This means the community spouse is not automatically entitled to retain a standard amount. Rather, the amount they may keep is based on the total countable assets as of the snapshot date. The community spouse is entitled to one-half of the couple's assets as of this date, not to exceed the maximum CSRA and not to fall below the minimum. The minimums and maximums vary by state but are generally $26,076 and $130,380 in 2021, respectively.

STANDARD CSRA STATES

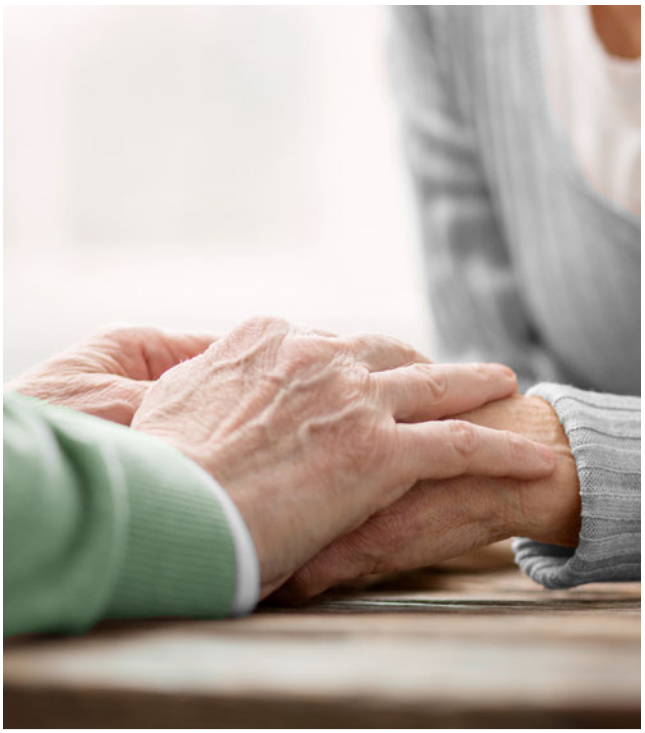
AK	CA	CO	FL	GA	HI	IL
LA	ME	MN	MS	SC	WY	

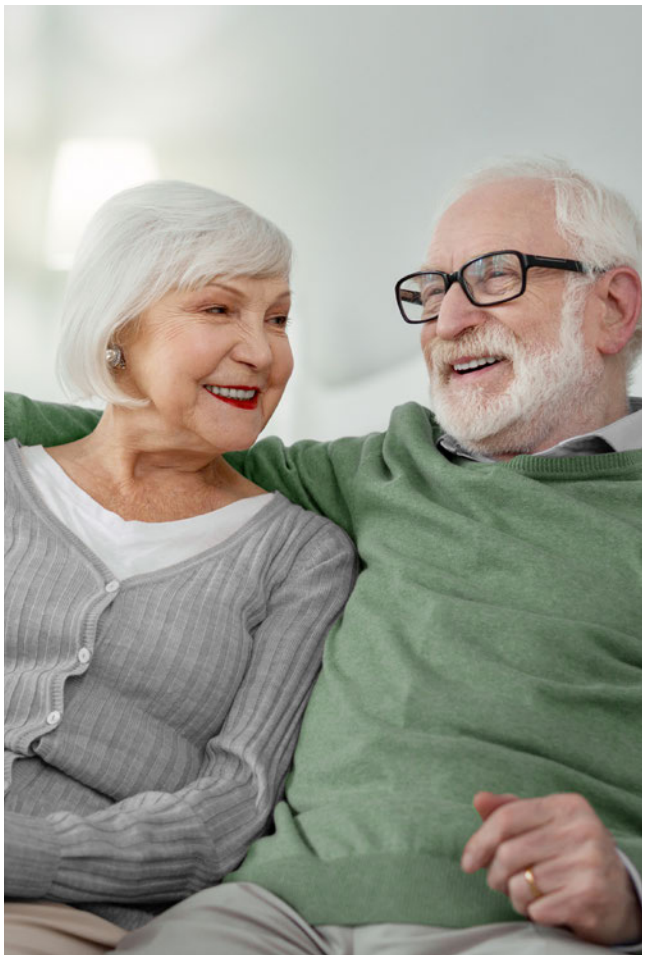
MIN/MAX CSRA STATES

AL	AZ	AR	CT	DE	DC	ID
IN	IA	KS	KY	MD	MA	MI
MO	MT	NE	NV	NH	NJ	NM
NY	NC	ND	OH	OK	OR	PA
RI	SD	TN	TX	UT	VT	VA
WA	WV	WI				

Minimum/Maximum CSRA Calculations
To calculate the CSRA in a minimum/maximum CSRA state, you first need to determine the snapshot date, which is the first date after which the Medicaid applicant spent 30 consecutive days in an institution. Then, take the couple's total countable assets on that date and divide it in half.

- *If the resulting figure is less than the minimum CSRA, the community spouse may keep the minimum CSRA.*
- *If the resulting figure is between the minimum and the maximum CSRA, the community spouse may keep that amount.*
- *If the resulting figure exceeds the maximum CSRA, the community spouse may keep the maximum CSRA.*





Example: Minimum/Maximum CSRA States
John and Ruth are a married couple. John enters a nursing home on January 1, 2021. Their total countable assets as of that date were $200,000. On February 1, 2021, the couple decides to apply for Medicaid. What is the amount Ruth, the community spouse, may keep and still qualify John for benefits?

MINIMUM CSRA: $26,076
MAXIMUM CSRA: $130,380

Total Assets as of the Snapshot Date:	$200,000
	÷ 2
Resulting Figure:	$100,000

Because the resulting figure is more than the minimum CSRA and less than the maximum CSRA, Ruth may keep no more than $100,000 in countable assets in order to qualify John for Medicaid.

Monthly Maintenance Needs Allowance

When an individual qualifies for Medicaid, their income is still subject to paying the nursing home. They are allotted a monthly Personal Needs Allowance and certain medical deductions from their income, but the rest must go toward their cost of care. This is the applicant's Medicaid co-pay. If the applicant is married, however, the community spouse may be eligible to receive some of the institutionalized spouse's income. This is where the Monthly Maintenance Needs Allowance (MMNA) comes in. If the community spouse's income is less than their MMNA, they are entitled to a portion or all of the institutionalized spouse's income.

Standard MMNA States

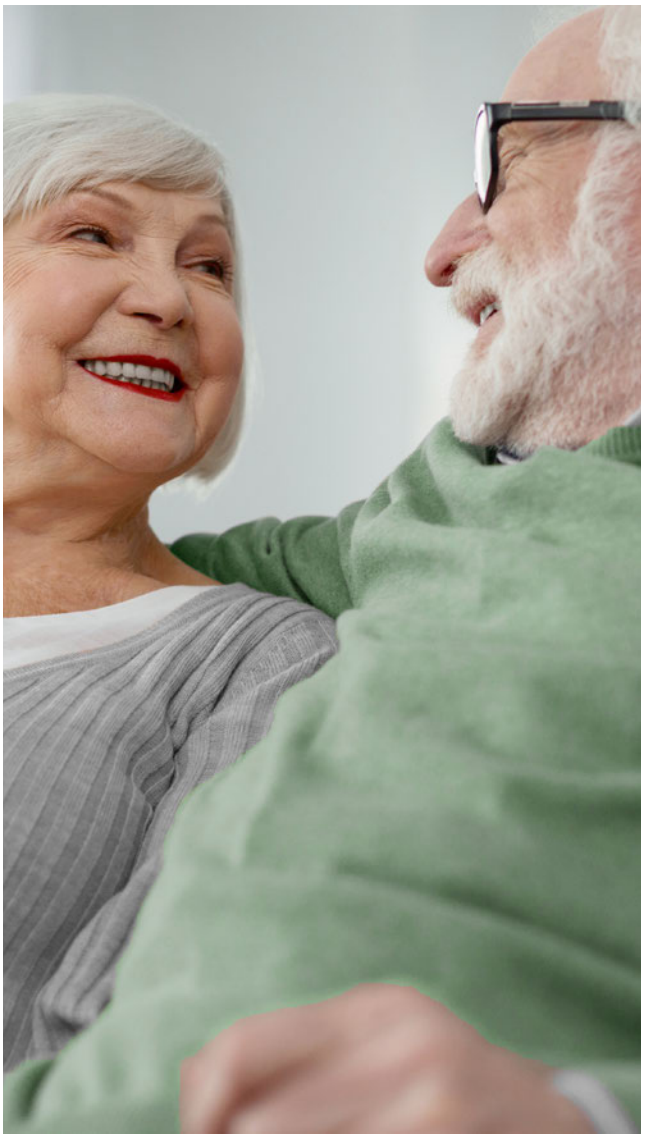
Some states apply a standard MMNA. In these states, if the community spouse's income is more than the MMNA, they will continue receiving their income as usual. However, if their income is less than the MMNA, they are entitled to a shift in income of the difference from the institutionalized spouse. The MMNA varies by state but is generally capped at $3,259.50 in 2021.

Minimum/Maximum MMNA States

Most states apply a minimum and maximum MMNA. In these states, the community spouse is not automatically entitled to receive a standard amount. Instead, the MMNA is based on the total shelter expenses of the community spouse. They will always be entitled to receive at least the minimum but may be eligible to receive a shift in income from the institutionalized spouse if their shelter expenses are above a certain threshold. The minimum and maximum MMNAs vary by state but are generally $2,177.50 and $3,259.50 in 2021, respectively.

STANDARD MMNA STATES

AL	AK	CA	GA	HI	IL
IA	LA	MS	NY	ND	OK
SC	TX	WY			



MIN/MAX MMNA STATES

AR	AR	CO	CT	DE	FL	ID
IN	KS	ME	MD	MA	MI	MN
MO	MT	NE	NV	NH	NJ	NM
NC	OH	OR	PA	RI	NJ	SD
TN	UT	VT	VA	WA	WV	WI

Calculating Shelter Expenses
The MMNA is calculated using the Standard Utility Allowance and the Shelter Standard.

The Standard Utility Allowance is a figure that represents the monthly utility bills (electric, water, heat, etc.) paid by the community spouse. Since utility costs can vary by month, the Standard Utility Allowance serves as an estimation, eliminating the need to calculate the actual out-of-pocket costs each month. The Standard Utility Allowance varies by state.

The Shelter Standard is a figure that represents the monthly shelter expenses (mortgage payments, real estate taxes, Standard Utility Allowance, etc.) of the community spouse. If their total expenses exceed the Shelter Standard, the MMNA is increased dollar-for-dollar from the minimum MMNA to account for the difference, not to exceed the maximum MMNA. The Shelter Standard varies by state but is $653.25 in 2021 in most states.

Example: Minimum/Maximum CSRA States
Consider John and Ruth again. They have spent down their excess countable assets and John is eligible for Medicaid. Ruth's monthly income is $2,000. She knows that due to her high monthly shelter expenses, she will receive some of John's income each month. What is Ruth's MMNA and how much will she receive from John each month?

MINIMUM MMNA: $2,177.50
MAXIMUM MMNA: $3,259.50
STANDARD UTILITY ALLOWANCE: $400
SHELTER STANDARD: $653.25

1 *Step 1: Determine Ruth's total monthly shelter expenses.*

Mortgage Payment:	$800
Real Estate Taxes:	+ $300
Homeowner's Insurance:	+ $50
Standard Utility Allowance:	+ $400
Total Monthly Expenses:	$1,550

2 *Step 2: Deduct the Shelter Standard from the total monthly expenses.*

Total Monthly Expenses:	$1,550
Shelter Standard:	– $653.25
Excess Expenses:	$896.75

3 *Step 3: Add the excess expenses to the minimum MMNA.*

Excess Expenses:	$896.75
Minimum MMNA:	+ $2,177.50
Ruth's MMNA:	$3,074.25

4 *Step 4: Determine the income shift from John.*

Ruth's MMNA:	$3,074.25
Ruth's Income:	– $2,000
Income Shift from John:	$1,074.25

Ruth is entitled to receive $1,074.25 from John to supplement her monthly income and maintain her lifestyle within the community.

Divestment of Assets

To qualify for benefits, Medicaid applicants must spend down their countable assets to be under a certain limit. Although some applicants may be tempted to simply give away their assets in order to accelerate their eligibility, Medicaid has implemented certain measures to penalize those transactions. Unfortunately, many individuals make gifts or divestments without realizing it. That's why it's important for you to be aware of these rules as you conduct Medicaid planning with your senior clients.

When dealing with the divestment of assets, you must consider the lookback period and the penalty period. Medicaid rules stipulate that if an applicant or their spouse has made an ineligible transfer of assets within the last five years, which is the lookback period, the applicant will be subject to a period of ineligibility, which is the penalty period, when they are otherwise eligible for Medicaid.

THE LOOKBACK PERIOD REFERS TO THE PAST:

Now that the applicant is ready to apply for Medicaid, what divestments have already occurred during the last five years?

THE PENALTY PERIOD REFERS TO THE FUTURE:

If they have made divestments within the five-year lookback period, how long will the applicant be ineligible for benefits after applying for Medicaid?

The Lookback Period

The lookback period is the five-year period before an individual applies for Medicaid. At the time of application, the caseworker will look back over the last five years to determine if a divestment of assets has occurred. If the applicant made any ineligible transfers within this timeframe, they will be ineligible for benefits for a certain period of time based on the total amount divested. Many seniors may not be aware of this rule and could be divesting assets without realizing the consequences it may have on their long-term care needs.

What Qualifies as a Divestment?

A divestment is the transfer of assets for less than fair market value. Many people also refer to divestments of this nature as gifts. Actions that qualify as divestments include donating money to charity, giving money or items to loved ones, transferring assets to an irrevocable trust, or selling items for less than fair market value.

In some cases, a senior paying a family caregiver to assist while they remain in their home could also qualify as a divestment. To help support this transaction and prevent it from being considered a divestment, it's important to create a formal caregiver agreement that outlines the work to be done and the caregiver's compensation. Otherwise, the money paid to the family caregiver could result in a penalty period.

A married couple can transfer assets back and forth without any penalty up until the institutionalized spouse becomes eligible for Medicaid benefits. If the institutionalized spouse transfers assets to the community spouse after becoming eligible for Medicaid benefits and the resulting amount exceeds the Community Spouse Resource Allowance, that will count as a divestment.

The Penalty Period

The penalty period is the phase of ineligibility an applicant is subject to when they have divested assets within the five-year lookback period. The penalty period begins once the applicant is deemed "otherwise eligible" for Medicaid benefits, aside from the ineligible transfer.

THE LENGTH OF THE PENALTY PERIOD IS BASED ON TWO NUMBERS:

- *The total amount of divested assets*
- *The Divestment Penalty Divisor*

Each state has its own Divestment Penalty Divisor that is constructed based on the average private-pay rate for nursing home facilities in that state. To determine the penalty period, the total divestment amount is divided by the Divestment Penalty Divisor. The resulting figure is the length of the penalty period in months. (Some states use a daily Divestment Penalty Divisor instead.) Penalty periods have no cap on length. They are solely based on the divestment amount, no matter how large or small, and the state's Divestment Penalty Divisor.

"Each state has its own Divestment Penalty Divisor that is constructed based on the average private-pay rate for nursing home facilities in that state."

Example: Distinguishing between the Lookback Period and the Penalty Period

Marilyn is residing in a nursing home and her family wants to apply for Medicaid. Unaware of her state's Medicaid policy on divestments, Marilyn has been making gifts to her children in the amount of $10,000 each year since 2015.

DATE	AMOUNT
January 1, 2015	$10,000
January 1, 2016	$10,000
January 1, 2017	$10,000
January 1, 2018	$10,000
January 1, 2019	$10,000
January 1, 2020	$10,000
January 1, 2021	$10,000
TOTAL	**$70,000**

Marilyn has given a total of $70,000 to her children over the last several years. When the caseworker reviews Marilyn's Medicaid application, what is the total amount that will be considered a divestment of assets?

DATE	AMOUNT
January 1, 2015	$10,000
January 1, 2016	$10,000
January 1, 2017	$10,000
January 1, 2018	$10,000
January 1, 2019	$10,000
January 1, 2020	$10,000
January 1, 2021	$10,000
TOTAL	**$50,000**

Though Marilyn has given her children a total of $70,000, for Medicaid purposes, she will only be determined to have divested a total of $50,000, because that is the total amount transferred within the five-year lookback period. This is the amount for which Marilyn will be penalized.

HOW TO CALCULATE THE PENATLY PERIOD:

Her state's Divestment Penalty Divisor is $5,000. To determine the length of the penalty period, divide the total divestment amount within the lookback period ($50,000) by the Divestment Penalty Divisor ($5,000). The resulting figure is 10 months. This means Marilyn will be ineligible to receive benefits for the next 10 months. She will have to continue privately paying for care during this time. In month 11, she will become Medicaid eligible.

Estate Recovery

In addition to the eligibility requirements, it's important for you to discuss another vital piece of Medicaid with your crisis planning clients: estate recovery. After a Medicaid recipient passes away, the state Medicaid agency will seek to recoup the funds they expended on behalf of the individual. Estate recovery is an important part of every Medicaid plan and something that your clients should be prepared for.

Assets at Risk of Estate Recovery

The first thing your clients will likely want to know is which of their assets the state Medicaid agency can recover against. Although specific estate recovery rules vary by state, their estate, at minimum, is subject to Medicaid recovery. This includes any assets that the individual owns outright and did not have a beneficiary named. In many situations, this consists of their home, other property, and vehicles. Since there is no easy way to establish a beneficiary for these items at the time of purchase, the only way to avoid probate is for the individual to develop a proper estate plan while they are living.

On the other hand, assets like bank accounts, investments, and life insurance policies often come with recommendations to name a beneficiary when they are established. Thus, these assets are not typically included in the probate estate. However, that doesn't necessarily mean these assets are safe from Medicaid recovery. States have the ability to expand their estate recovery program to include non-probate assets.

Recovering Against the Home

In many cases, the state Medicaid agency will place a lien on the Medicaid recipient's home once they begin receiving benefits. This allows the state to stake its claim on the asset for the purposes of estate recovery while the Medicaid recipient is still living. The state Medicaid agency can typically only impose a lien on the home if the individual is unlikely to return home from the facility, and it must notify the individual that the lien is being imposed. If the Medicaid recipient recovers and is able to move home, the lien is dissolved. Following the individual's death, the home becomes part of their estate, and the state Medicaid agency has the right to collect against the lien. In cases where a lien was imposed and the home was sold during the individual's lifetime, the state is still able to recover against it.

PROBATE ASSETS AT RISK

- The home
- Other property
- Vehicles

NON-PROBATE ASSETS AT RISK

- Bank accounts
- Investments
- Life insurance policies

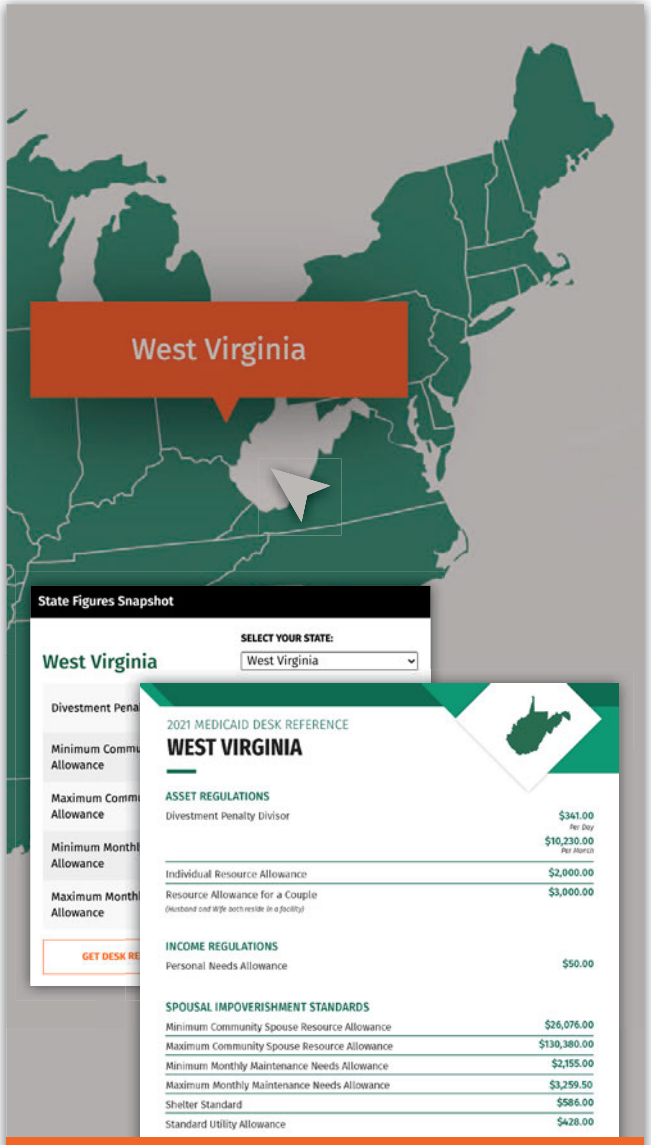
Recovering Against a Medicaid Compliant Annuity

If your client owns a Medicaid Compliant Annuity (MCA), it's vital to understand how estate recovery works with this unique asset. In many cases, the state Medicaid agency is named primary beneficiary on the MCA, so they have the right to collect up to the amount of benefits expended on behalf of the institutionalized individual. However, this differs depending on the client's marital status and the MCA strategy used. We'll go into greater detail about MCAs and their beneficiary rules in the next section.

Protections Against Estate Recovery

The Medicaid estate recovery program has certain protections in cases where the Medicaid recipient is survived by a spouse or a minor, blind, or disabled child. In these situations, estate recovery is delayed until the spouse or child passes away. These protections exist for assets included in the estate as well as Medicaid Compliant Annuities, which inherently include beneficiary exceptions for these situations.

SPECIFIC ESTATE RECOVERY PROCESSES VARY BY STATE, SO CHECK YOUR STATE'S MEDICAID MANUAL TO BETTER UNDERSTAND YOUR CLIENT'S SPECIFIC SITUATION.



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MEDICAID COMPLIANT ANNUITIES

A Medicaid Compliant Annuity (MCA) is a powerful tool that helps insurance agents and advisors find a better solution for clients facing a costly nursing home stay.

THIS INNOVATIVE PRODUCT HELPS ACHIEVE:

- *Accelerated Medicaid Eligibility*
- *Asset Preservation*
- *Peace of Mind*

An MCA is a Single Premium Immediate Annuity (SPIA) that turns assets into income for the owner and contains zero cash value. When properly structured, this annuity functions as a spend-down tool that eliminates excess countable assets, allowing the nursing home resident to become eligible for Medicaid benefits.

WHAT MAKES AN MCA SPECIAL?

An MCA isn't just any annuity. It's a proven spend-down tool that elder care professionals and their senior clients can use to avoid the financial devastation of the nursing home. Only select carriers offer an MCA and only one team is the national expert on it.

That's The Krause Agency.

Requirements of an MCA

IRREVOCABLE
The payment amount, term, and parties to the annuity contract cannot be altered.

NON-ASSIGNABLE
The contract cannot be assigned to another party or sold on the secondary market.

ACTUARIALLY SOUND
The term of the annuity must be fixed and equal to or shorter than the owner's Medicaid life expectancy.

EQUAL PAYMENTS
The annuity must provide equal monthly payments with no deferral or balloon payments.

STATE AS BENEFICIARY
In most cases, the state Medicaid agency must be named primary death beneficiary to the extent of benefits paid on behalf of the institutionalized individual.

Breaking Down the Beneficiary Requirement

Although most MCAs require the state to be named the primary beneficiary, exceptions do exist. First, if the annuity is purchased in the name of institutionalized spouse, the community spouse can be named primary beneficiary ahead of the state Medicaid agency. This is especially important to remember when choosing an MCA strategy. Additionally, if the MCA owner has a minor or disabled child, the child may be named primary beneficiary while the state is listed as contingent beneficiary. Some states may have additional exceptions beyond those listed here.

Although listing the state Medicaid agency as primary beneficiary may deter some people from using an MCA, the funds preserved by accelerating Medicaid eligibility typically outweigh any estate recovery on the annuity. Plus, the state Medicaid agency can only recover if the owner predeceases the annuity term and an outstanding balance is owed to the state. When purchasing an MCA for the community spouse, it's crucial to structure the term appropriately based on the owner's health and longevity (see page 67). In cases involving a single person, typically no balance is owed to the state Medicaid agency (see page 72).

Parties to an MCA

Knowing the parties to an MCA is vital to ensuring proper, sound planning. Who owns the annuity? To whom is it payable? Who are the beneficiaries? In most cases, MCA contracts consist of five potential parties:

- ***Owner:*** The owner purchases the annuity and irrevocably designates the remaining parties of the contract. In cases involving a single person, they are the owner. In cases involving a married couple, the owner can be the institutionalized spouse or the community spouse, depending on the MCA strategy being used.

- ***Annuitant:*** The annuitant of a traditional annuity is the person whose life expectancy the contract is based on, but since an MCA must be structured with a fixed term, the annuitant does not typically play an important part. In almost every MCA case, the owner and annuitant are the same person.

- ***Payee:*** The payee of an MCA is the party that receives the contract payments. In almost all cases, the owner, annuitant, and payee are the same person. The only time this differs in MCA planning is when using the "Name on the Check Rule" strategy (more information on page 70).

- ***Primary Beneficiary:*** The primary beneficiary is the person or entity that receives the remaining contract payments or a lump sum of the benefits in the event the MCA owner predeceases the term. In most MCA cases, this is the state Medicaid agency, which can collect up to the amount of benefits provided on behalf of the Medicaid applicant.

- ***Contingent Beneficiary:*** The contingent beneficiary is the party that receives any remaining contract benefits after the primary beneficiary has made its claim. This is typically the spouse, children, or a trust belonging to the owner. If an MCA was exempt from naming the state Medicaid agency as primary beneficiary, it typically would be listed as contingent beneficiary.

PRODUCT FEATURES

- Available in 49 states plus D.C.
- Terms as low as two months
- A-rated carriers available
- Minimum investment of $5,000
- Maximum issue age of 100

When Should My Client Use an MCA?

An MCA can help accelerate Medicaid eligibility for your client, even if they are already residing in a nursing home.

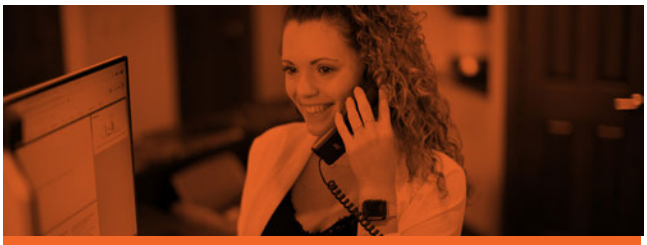
A MEDICAID COMPLIANT ANNUITY MAY BE RIGHT FOR YOUR CLIENT IF THEY:

- Are residing in a nursing home
- Have exhausted Medicare or Long-Term Care Insurance benefits
- Are paying out of pocket for care
- Have excess countable assets

Choosing an MCA Carrier

When it comes to choosing crisis Medicaid planning products for your clients, you want to make sure you're getting the best. That's where we come in. We work with several dependable insurance carriers, including multiple that are exclusive to us and companies with A.M. Best ratings as high as A+.

6	*7 national Medicaid Compliant Annuity carriers*
3 exclusive carriers with products not available anywhere else	3
3	*4 carriers with an A.M. Best rating of A- or higher*
3 carriers with annuity terms as low as two months	3



READY TO GET STARTED? GET CONTRACTED TODAY!

Contact our office today to get contracted with the carriers available in your state. We'll provide the necessary paperwork, point you to helpful resources, and get you one step closer to breaking into the field.

CAN ANY INSURANCE CARRIER SELL AN MCA?

In short, no. Since the Medicaid Compliant Annuity is a highly specialized product, it is not available through just any insurance carrier. That's why our exclusive wholesaler relationships provide such a great benefit to you and your clients in crisis.

Options to Consider

Medicaid Compliant Annuities are unlike any other insurance product you have dealt with. Therefore, it's important to understand your options in choosing the right MCA carrier. In some cases, the details of your client's situation may dictate which carriers can and cannot be used. For instance, their state, desired annuity term, and premium amount may limit their carrier options.

If you and your client are choosing between a few of our carrier options, here are some key considerations for you to keep in mind:

- ***Commissions:*** Commissions are a big factor for any agent. After all, you deserve to get paid for your hard work. When choosing an MCA carrier, consider that different carriers offer more competitive commissions for different terms. So, it might make sense to use one carrier on one case and another for the next one. If your client needs a short-term annuity, then commissions aren't a factor, and you should look at the additional considerations listed in this section.

- ***Financial Strength Ratings:*** A carrier's rating can help you gauge the company's business profile, operations, risk management, types of coverage sold, and other aspects. When dealing with specialized products, however, you should not rule out a specific carrier solely based on their rating. In many cases, smaller insurance carriers that specialize in products like MCAs may provide more desirable features and better service than larger companies.

- ***Contract Dates:*** Some carriers offer flexibility in assigning the contract date of an MCA, which can be especially helpful for cases that are on a tight deadline. One of our exclusive carriers even allows clients to backdate their MCAs without restriction. This is key if your client's case needs to be rushed.

- ***Beneficiary Options:*** Although the state Medicaid agency must typically be named primary beneficiary, there are plenty of cases where a loved one may receive proceeds from the MCA. Most carriers allow the beneficiary to either continue receiving payments until the end of the term or take a discounted lump sum payout. One of our exclusive carriers offers an alternative option where the beneficiary can take the lump sum distribution without a discount.

DELIGHTED CLIENTS
MAKE FOR HAPPY REFERRALS, EXTRA COMMISSIONS, AND A GROWING BUSINESS.

- ***Freelook Period:*** In some states, an MCA is seen as revocable during the freelook period. Since this can affect Medicaid eligibility in those states, most of our carriers offer short, 10-day freelook periods. Additionally, one of our exclusive carriers offers an option to waive the freelook period entirely in several states.

- ***Product Focus:*** Most larger insurance companies that offer MCAs also offer substantial product lines. Although they may be more recognized on a national scale, they may not be experts when it comes to Medicaid planning. Our exclusive carriers, on the other hand, tend to be smaller companies that specialize in products related to the elder law field.

Other aspects to consider when choosing an MCA carrier include processing fees, processing times, interest rates, and the ability to send premium funds electronically. But don't worry, your Benefits Planner will walk you through everything you need to know when establishing an MCA for your client.

LET US SHOW YOU HOW EASY MCA PLANNING CAN BE.

CONTACT US TODAY TO GET CONTRACTED.

Why Should My Client Use an MCA

When your senior client enters a nursing home, they are probably concerned about finding a way to pay for care and ensuring they don't deplete their assets in the process. **An MCA is a quick and easy way to do both.** The entire process, from the initial quote to receiving the contract in hand, can be completed in as little as seven days.

MCAs allow you to help your clients gain financial relief while enhancing your offering as an agent. Once your clients realize how simple it can be to preserve their hard-earned assets when the alternative is exhausting their life savings, they will be eternally grateful.

OUR INSURANCE CARRIERS

Medicaid Compliant Annuities are at the heart of our business. We want to achieve the best possible result for your clients given their circumstances. That's why we are proud to partner with these carriers to offer such a specialized and advantageous product to your senior clients.

Planning with IRAs

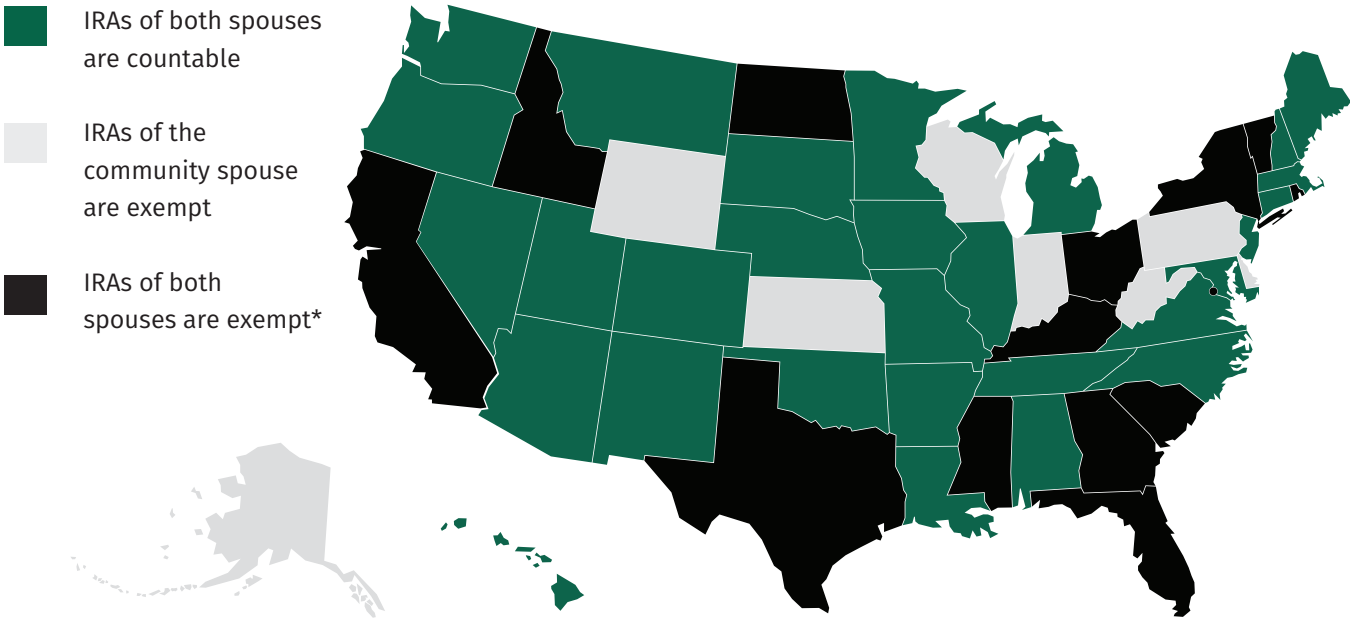
Since IRAs are a very common asset amongst seniors, it's vital to understand how to deal with these accounts in crisis Medicaid planning. For starters, an IRA is considered a countable asset for Medicaid in most states, so many cases involve spending down an IRA and transferring the funds to a Medicaid Complaint Annuity.

Next, it's important to understand the different types of IRAs and how they are taxed. The most common types are traditional IRAs and Roth IRAs. Since Roth IRA contributions are taxed before being deposited, the process of funding this type of IRA into a Medicaid Compliant Annuity typically involves liquidating the account and funding the proceeds into non-qualified MCA. Roth IRAs can be liquidated tax-free as long as the funds have been in the account for at least five years and the account owner is at least 59½ years old.

Traditional IRAs, on the other hand, contain pre-tax funds, so liquidating the account often results in hefty tax consequences since the funds are taxed upon withdrawal. In these cases, your client can transfer their traditional IRA funds into a tax-qualified Medicaid Compliant Annuity as part of their spend-down plan for Medicaid eligibility.

In Which States are IRAs Countable?

Now, let's explore how each state treats IRAs for Medicaid purposes. In certain states, IRAs belonging to either spouse are considered exempt assets. In other states, an IRA belonging to the community spouse is exempt, while an IRA belonging to the institutionalized spouse is not. In most states, however, IRAs belonging to both spouses are considered countable assets.



*In some states, an IRA is only exempt if the owner is taking their Required Minimum Distributions.

Consequences of Liquidating an IRA

Liquidating your client's traditional IRA can cause consequences beyond immediate taxation of the funds:

All funds count as taxable income in the year of receipt.

The client may be subject to a higher income tax bracket.

If a married couple's total income for the year exceeds $44,000, up to 85% of their Social Security benefits become taxable.

If a married couple's total income for the year exceeds $176,000, their Medicare Part B and Medicare Part D premiums will increase.

Taxation of the Funds

Since contributions to a traditional IRA are made pre-tax, the funds are taxed upon withdrawal or liquidation. Therefore, when liquidating an IRA of high value, all funds count as taxable income during the year of receipt. In addition to incurring higher taxes that year, the liquidation may subject the individual to a higher income tax bracket. Transferring the IRA to an MCA spreads out the tax consequences over time, since the taxation occurs in the year each payment is made rather than all at once. This means that the longer the MCA term, the greater the economic benefit for the client.

Preferential Treatment by the DRA

The Deficit Reduction Act of 2005 (DRA) provides preferential treatment to annuities funded with retirement accounts. In most states, a tax-qualified immediate annuity does not have to be irrevocable or non-assignable, provide equal monthly payments, or be actuarially sound. However, it does typically need to designate the state Medicaid agency as a beneficiary, though certain states have exceptions to this. Annuities funded with retirement accounts are non-assignable and irrevocable by nature, but the client may be able to utilize a term longer than their Medicaid life expectancy or structure the annuity with different payments intervals (quarterly, annually, etc.).

Transferring the Funds

If your client resides in a state where their IRA is countable for Medicaid purposes, they have two options to fund the account into an MCA: a **Trustee-to-Trustee Transfer** or a **60-Day Rollover.** In order to avoid immediate tax consequences, the ownership of the IRA must remain the same.

1. A **Trustee-to-Trustee Transfer** takes place directly between plan administrators. Along with the MCA paperwork, the account owner fills out authorization paperwork for the transfer, and the insurance company issuing the MCA obtains the funds directly from the custodian company. The IRS does not limit the number of times an individual can complete a Trustee-to-Trustee Transfer.

2. To complete a **60-Day Rollover**, the account owner contacts the IRA custodian company and initiates a complete liquidation of the account without withholding any taxes. The account owner will then receive the liquidation check, usually within five to seven business days of the request. As long as they reinvest the funds into a tax-qualified MCA within 60 days, they will avoid immediate tax consequences.

***Note:** The IRS limits the number of times an individual can conduct a 60-Day Rollover to once every 365-day period.*

TRUSTEE-TO-TRUSTEE TRANSFER	60-DAY ROLLOVER
Custodians handle the transfer	Client handles the transfer
May take four to six weeks	May take less than four weeks
No time limit for completion	60-day time limit for completion
Client does not receive a 1099-R	Client receives a 1099-R
Client does not receive Form 5498	Client receives Form 5498
No limit on the number of transfers	Limit of one rollover per 365-day period

Planning with Existing Annuities

Since annuities are some of the most popular investment vehicles available, you will likely encounter clients in the crisis Medicaid planning process who own existing tax-deferred or immediate annuities. Unfortunately, in many cases, these annuities were not purchased with Medicaid in mind and are therefore not compliant with the program's rules.

Tax-Deferred Annuities

A tax-deferred annuity is a contract that accumulates growth until it is annuitized. Contributions may occur at one time or over time, and the funds earn returns on a tax-deferred basis until annuitization, when the owner begins receiving the funds. With tax-deferred annuities, the owner has access to the cash value of the contract and can generally make withdrawals at any time.

How Do Tax-Deferred Annuities Affect Medicaid Planning?

For Medicaid purposes, a tax-deferred annuity is a countable asset because it has accessible cash value. The only exception would be in cases where the annuity is also an IRA, which may be exempt in some states due to its tax-qualified status.

How to Handle Tax-Deferred Annuities

If your client has a tax-deferred annuity, they have a few options for spending down the account along with their other excess countable assets. They can either liquidate the account or transfer it to a Medicaid Compliant Annuity.

Liquidating the Account

A tax-deferred annuity can typically be surrendered or liquidated. This gives the client access to cash if they want to purchase or improve exempt assets during the crisis Medicaid planning process. The downside is the annuity likely has deferred gain, which is taxable to the client in the year of receipt. If the gain is significant, the client may incur the same economic consequences as liquidating a traditional IRA. Additionally, the client may be subject to a surrender charge, depending on the contract provisions.

Transferring the Annuity

If your client wants to avoid the immediate tax consequences of liquidating a tax-deferred annuity, they can proceed with a **Section 1035 Tax-Free Exchange**. This allows the owner to transfer their non-qualified annuity funds to another annuity contract—in this case, an MCA—without incurring immediate tax consequences. Instead, any gain is taxed as the owner receives payments from the MCA. A Section 1035 Tax-Free Exchange works very similarly to a Trustee-to-Trustee Transfer for an IRA. The owner fills out some additional paperwork with the MCA application, and the insurance company obtains the funds directly from the current custodian. However, this transfer does not negate any surrender charges associated with the tax-deferred annuity contract.

WHAT DOES "ANNUITIZED" MEAN?

If an annuity has been annuitized, the contract is no longer in a growth period. Instead, the annuity has begun making regular payments. At this point, the cash value is no longer accessible, and the terms of the contract (payment amount, term length, etc.) cannot be altered. MCAs and other immediate annuities are annuitized upon purchase. A tax-deferred annuity annuitizes on the contract's maturation date unless otherwise requested by the owner.

Immediate Annuities

An immediate annuity is a contract funded with a lump sum that begins making regular payments immediately. Rather than having a deferral or growth period, immediate annuities are annuitized upon purchase. For the purpose of this report, an immediate annuity also refers to a tax-deferred annuity that has been annuitized. Many immediate annuities are structured using a lifetime payout option, which means payments are made until the death of the annuitant rather than for a specified term. Immediate annuities typically cannot be surrendered and contain no accessible cash value.

How Do Immediate Annuities Affect Medicaid Planning?

For Medicaid purposes, if an immediate annuity meets the requirements of the DRA, it will only be considered income to the owner. If the annuity does not meet the requirements of the DRA, it may be considered either a divestment or an asset.

Divestment

If the annuity is irrevocable and non-assignable, the premium amount of the annuity will be treated as a divestment, meaning the owner will incur a penalty period of ineligibility if the annuity was purchased or annuitized within the five-year lookback period.

Asset

If the annuity is revocable and assignable, meaning it can be transferred to another party, the annuity will be considered to have value in most cases. This means the annuity will count as an asset even though the owner doesn't have access to the funds.

How to Handle Immediate Annuities

If your client's annuity is irrevocable and non-assignable, or consists of IRA funds, the only two options in most cases are to accept the divestment penalty period or wait out the five-year lookback period. Once the five-year lookback period has passed, the annuity will only be considered income to the owner. In some cases, the client may consider pursuing a hardship waiver.

If your client's annuity is revocable and assignable, however, it can often be sold on the secondary market. With this strategy, a company purchases the annuity for the fair market value of the remaining contract payments (typically less than the initial investment amount) and, in exchange, provides the owner with a lump sum of cash. The client can then pursue crisis Medicaid planning options, including the purchase of an MCA.

If you're not sure how to handle these cases, don't worry. ***We can help find a solution for your client and get you paid in the process.***

Valuation of Non-Compliant Annuities

When dealing with MCAs, an old annuity can spell trouble for your client. At The Krause Agency, we're the experts in annuities and Medicaid planning. Beyond offering Medicaid Compliant Annuities, we can also help in the case of an existing, non-compliant immediate annuity that's jeopardizing your client's Medicaid eligibility. If you send us a copy of your client's contract, we'll review the provisions and assess the contract's fair market value on the secondary market. From there, we'll buy your client's annuity for cash, giving them the opportunity to conduct crisis Medicaid planning and get the benefits they need.

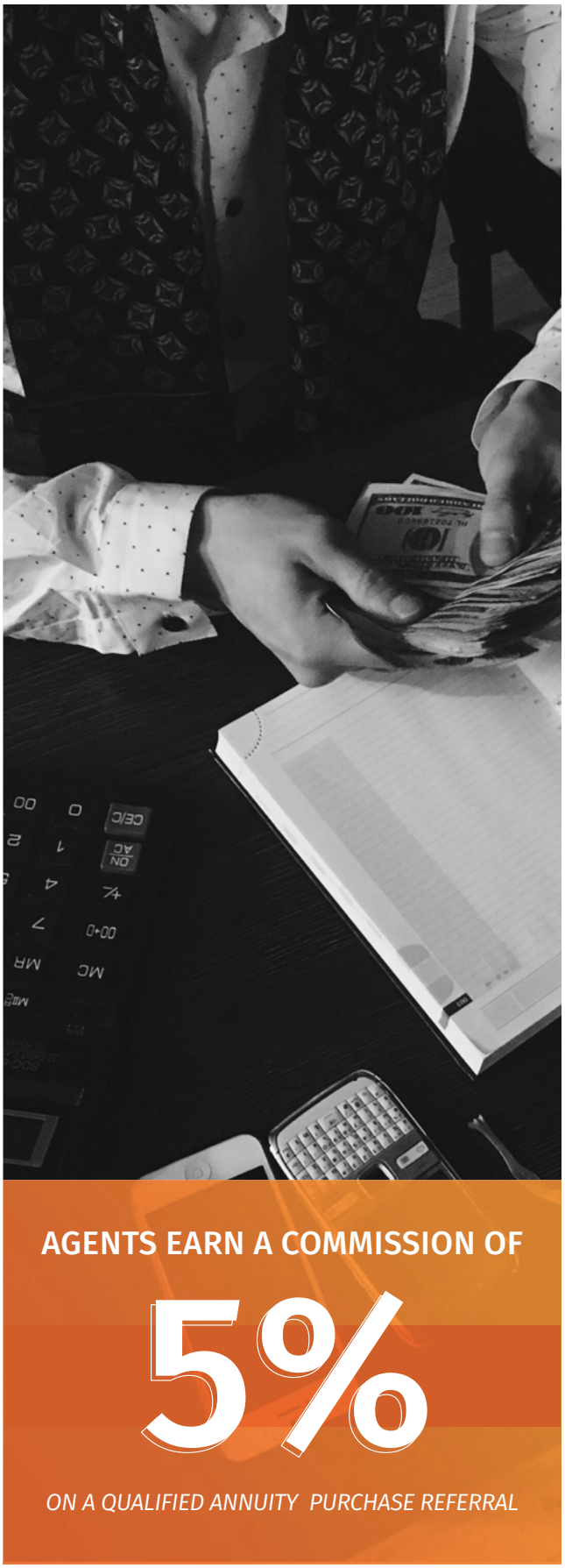
WHEN WE BUY YOUR CLIENT'S NON-COMPLIANT ANNUITY,
YOU GET A CUT OF THE SALE!

Earn 5% Commission

If you have a client with a non-compliant annuity that has value on the secondary market, not only will we purchase it and eliminate the troublesome asset, but we will also give you a cut of the transaction. On non-compliant annuity sales through our office, you get a commission of 5% of the sale price. Help accelerate your client's Medicaid eligibility and boost your revenue in the process!

It's All About the Timing

Our average processing time from the initial contract review to sending the client their money is ***only two weeks***. Other companies that offer a similar service can take up to two months. Why? Because they aren't concerned with the client's financial situation. That's why we've designed a process to keep your client's Medicaid eligibility in mind. We are committed to getting your client paid and qualified for benefits as quickly as possible.



How to Get Started

For a complimentary review of your client's contract, complete our quick and easy online quote request form at thekrauseagency.com or contact our office directly. We'll assess the annuity to see how it affects your client's Medicaid eligibility, and, if it has value on the secondary market, we'll present you and your client offers for quick cash.

NON-COMPLIANT ANNUITY VALUATION PROCESS

STEP ONE
Send your client's contract

STEP TWO
We assess contract value

STEP THREE
We present multiple offers

STEP FOUR
Client accepts an offer

STEP FIVE
Client completes paperwork

STEP SIX
Client receives funds

If you have any questions about your client's annuity, send us a copy of the contract for a complimentary analysis.

Non-Compliant Annuity Cheat Sheet

Knowing how your client's existing annuity will be treated is crucial for a successful crisis Medicaid plan. Use the chart below as a guide to determine whether your client's annuity is a countable asset, a divestment, or Medicaid compliant.

Can the owner surrender or liquidate their investment?

NO — YES

The annuity is a countable asset.
Consider transferring the annuity to a Medicaid Compliant Annuity or surrendering the account.

Is the annuity assignable?

NO — YES

The annuity is not Medicaid compliant.
Consider selling it on the secondary market or to a family member.

Does the annuity meet the remaining requirements of the DRA?

NO — YES

The annuity is a Medicaid Compliant Annuity and is treated as countable income only.

Was the contract purchased or annuitized more than 5 years ago or prior to the implementation of the DRA?

NO — YES

The annuity is exempt from divestment penalty rules and should be considered countable income only.

The annuity will likely be considered a divestment for the premium amount.

WORKING WITH AN ATTORNEY ON YOUR MCA CASES

As an insurance agent, you are very knowledgeable when it comes to the products and financial aspects of crisis planning. You have a strong understanding of the planning process and are equipped to get your clients access to the products they need. ***That said, it's important to involve an elder law attorney when handling certain parts of the process – primarily, when using a Medicaid Compliant Annuity (MCA).***

Different Roles: Agent vs. Attorney

While agents are more familiar with the financial side of long-term care planning and MCAs, elder law attorneys are more well-versed in the rules, regulations, and legalities surrounding Medicaid as well as the intricacies of the products associated with it. Attorneys have a strong grasp on the full scope of MCAs and other Medicaid planning strategies.

AGENTS	VS.	ATTORNEYS
▸ Understand insurance products ▸ Familiar with financial planning		▸ Knowledgeable about Medicaid rules ▸ Strong grasp of MCAs and Medicaid planning strategies

Why Work With an Elder Law Attorney in Crisis Planning?

1

TO BENEFIT YOUR CLIENT

Working with an elder law attorney shows your clients that you're knowledgeable in the industry and understand the importance of including a legal professional. It expresses that you have their best interest in mind. Plus, since an attorney is permitted to provide a legal opinion, their recommendation for an MCA may hold additional weight for your clients. It could even be the deciding factor for your clients to go through with an MCA purchase.

2

TO HAVE PEACE OF MIND

Although some insurance agents take care of Medicaid applications on their own, having an attorney involved ensures all bases are covered from a legal perspective. This is especially important when dealing with the intricacies of a Medicaid Compliant Annuity and avoiding a Medicaid denial.

3

TO GET ACCESS TO THE LATEST INFORMATION

Elder law attorneys are required to stay up to date with recent legislative changes regarding MCAs and Medicaid in general, which is crucial information that they can then pass along to you and your clients. On a local level, attorneys are also aware of court decisions that may affect how an MCA should be structured for a particular jurisdiction. Attorneys can lay out MCA details and how they impact end-of-life and estate planning decisions.

4

TO TAKE CARE OF NECESSITIES

An attorney is required in order to handle certain legal documents that may come along with Medicaid planning, such as securing estate plans, drafting a Power of Attorney, and setting up a trust.

How to Find Elder Law Attorneys in Your Area

If you are interested in finding an elder law attorney near you, there are a few places you can look. But before you start your search, we have a few recommendations. First, make sure you look for an attorney who specializes in elder law or Medicaid planning. Next, you may want to give higher consideration to attorneys who belong to organizations like NAELA or ElderCounsel. This gives them access to exclusive training and up-to-date information in the elder care industry. And finally, you want an attorney who is in good standing with their state bar. Most state bar websites will allow you to search an attorney by name and check for any prior ethical violations.

NOW, ONTO YOUR SEARCH.
WE SUGGEST CHECKING THE FOLLOWING RESOURCES TO FIND AN ATTORNEY NEAR YOU:

Attorney rating sites (SuperLawyers, Martindale, Avvo, etc.)	State bar referral sites	Financial or legal industry publications	Organizational directories (NAELA, ElderCounsel, etc.)

Tips for Working with an Attorney

When working with an attorney, let them take the lead when developing a solution for the client. It is of the utmost importance for the client to receive sound legal advice, and attorneys typically respond best to insurance agents and financial advisors who support their opinions and choices for the client. Your main priority should be to provide information regarding the financial aspects of the plan and details about any insurance products that are involved. When you rely on the attorney to dictate the most beneficial solution, you can rest assured the plan is within the client's best interest.

Once you find an attorney to work with, there are a few things to keep in mind when interacting with them. Most attorneys have an analytical approach to problems and often approach professional conversations in a similar way. Therefore, we have a few recommendations when meeting with an attorney:

- *Research the attorney, their history, and their practice ahead of time to see if you have any common ground.*
- *Come to the meeting with any information and paperwork you might need, especially if you're discussing a specific case.*
- *Be polite and straightforward when you interact with the attorney and their staff.*
- *Discuss the attorney's fee structure and consultation policy.*
- *Let the conversation develop organically and follow the attorney's lead when it comes to moving on to the next part of the meeting.*
- *When properly nurtured, your relationships with elder law attorneys in your area will become an invaluable resource to you.* ***For more tips on connecting with attorneys and other referral sources, contact our office.***

STRATEGIES USING A MEDICAID COMPLIANT ANNUITY

Strategies for a Married Couple

The best part about using a Medicaid Compliant Annuity for a married couple is the flexibility in the couple's planning options. The spend-down plan and the annuity strategy can truly be customized to fit the client's exact situation.

Who is the MCA Owner?

When dealing with a married couple, the owner of the MCA can depend on several factors, such as income, health, anticipated longevity, and the client's preference. If you're unsure which option is best for your client, our in-house experts can help guide you.

To see a case study of this strategy, see page 74.

Purchasing an MCA for the Community Spouse

An MCA purchased in the name of the community spouse is funded with any assets above the Community Spouse Resource Allowance (CSRA). The community spouse is the owner, annuitant, and payee of the contract. Upon the purchase of the annuity, the couple's excess assets are eliminated, and the institutionalized spouse is immediately eligible for Medicaid benefits.

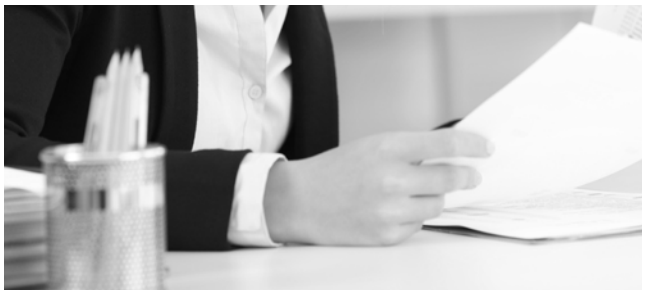
After the community spouse purchases the annuity, they will begin receiving monthly income from the MCA. If the community spouse lives beyond the annuity term, the contract will automatically terminate upon its final payment and no beneficiary will collect against it. If the community spouse predeceases the annuity term, the primary beneficiary can recover the remaining annuity funds. Typically, this is the state Medicaid agency, which can collect up to the funds expended on behalf of the institutionalized spouse.

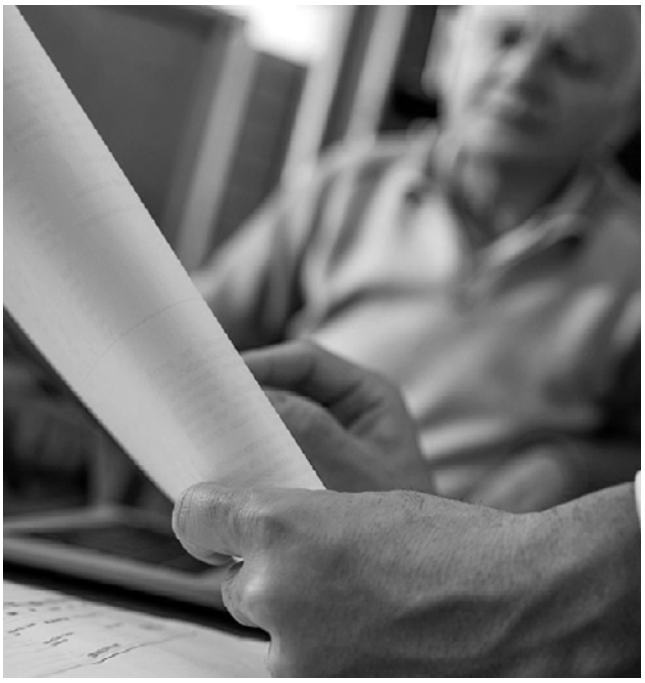
Choosing an Annuity Term
When purchasing an MCA for the community spouse, the annuity term can be structured to meet the specific needs of the community spouse. If they need significant monthly income, they can choose a shorter term that provides higher monthly payouts. If the couple wants to ensure a shift in income under the MMNA rules, they can choose a longer term with lower monthly payouts. Either way, the MCA must be actuarially sound.

WHAT IS ACTUARIALLY SOUND?

In most states, this means the owner of the MCA must receive the initial investment amount within their Medicaid life expectancy.* Therefore, the annuity term must be equal to or shorter than the owner's Medicaid life expectancy, which is determined by using a state-specific life expectancy table or the table published by the Chief Actuary of the Social Security Administration.

**Oregon and Washington have adopted an alternative definition of the actuarially sound requirement and place a limit on how short an MCA term can be.*





Even though some of our insurance carriers offer MCA terms as low as two months, this short of a term may not be the best choice for every case. We recommend planning responsibly and choosing a term and monthly payout that is reasonable and justifiable for your client.

WHEN SHOULD YOUR CLIENT USE A LONGER MCA TERM?

A longer annuity term is ideal when the community spouse is in good health and has a family history of longevity. You may also consider using a longer term if the couple might be eligible for an income shift under the MMNA rules. On the other hand, a shorter term might be a better option if the community spouse is in questionable health or if the couple is concerned about estate recovery.

To determine Medicaid life expectancy, most states refer to the Actuarial Life Table published by the Social Security Administration. Other states use their own state-specific table.

To see which table your state uses, visit thekrauseagency.com and check out the State Resources through your Agent Access account.

MEDICAID LIFE EXPECTANCY TABLE							
MALES				FEMALES			
AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD
65	18.09	83	6.91	65	20.70	83	8.09
66	17.38	84	6.44	66	19.90	84	7.56
67	16.67	85	6.00	67	19.10	85	7.05
68	15.97	86	5.58	68	18.31	86	6.56
69	15.28	87	5.18	69	17.53	87	6.10
70	14.60	88	4.80	70	16.76	88	5.67
71	13.92	89	4.45	71	16.00	89	5.26
72	13.25	90	4.12	72	15.26	90	4.88
73	12.59	91	3.82	73	14.52	91	4.53
74	11.95	92	3.54	74	13.81	92	4.20
75	11.32	93	3.29	75	13.10	93	3.90
76	10.71	94	3.06	76	12.41	94	3.63
77	10.12	95	2.87	77	11.74	95	3.39
78	9.54	96	2.69	78	11.09	96	3.18
79	8.98	97	2.54	79	10.45	97	2.98
80	8.43	98	2.40	80	9.83	98	2.81
81	7.91	99	2.28	81	9.23	99	2.65
82	7.40	100	2.16	82	8.65	100	2.49

▶ Go to your Agent Access account to view your state's resources.

Purchasing an MCA for the Institutionalized Spouse

In some cases, a married couple may benefit from purchasing an MCA in the institutionalized spouse's name. The main advantage of this strategy is naming the community spouse as primary beneficiary of the MCA ahead of the state Medicaid agency. If the institutionalized spouse passes away before the contract term ends, **the community spouse takes control of the funds.**

ALTHOUGH BENEFICIARY OPTIONS VARY BY INSURANCE CARRIER, **THE COMMUNITY SPOUSE GENERALLY HAS TWO OPTIONS WHEN GAINING CONTROL OF THE ANNUITY FUNDS:**

- ☑ Continue receiving the monthly payments
- ☑ Take the death benefit in a lump sum

Some carriers apply a discount to the lump sum, but the discount does not apply if the community spouse elects to continue receiving the payments. If they choose to receive the payments, they can name their own beneficiaries. Therefore, either option removes the state Medicaid agency from making any claim to the contract proceeds.

Beyond the benefit of naming the community spouse as primary beneficiary, this strategy can also be used to shift the MCA income to the community spouse under the Monthly Maintenance Needs Allowance (MMNA) rules. According to Medicaid rules, the income of the Medicaid recipient will go toward their cost of care, except for certain medical deductions and any shift in income to a community spouse whose income is less than their MMNA (between $2,177.50 and $3,259.50 in most states in 2021). Although a partial shift is advantageous, this strategy provides a near perfect solution when the entirety of the institutionalized spouse's income is diverted to the community spouse. Since we want to minimize the income produced by the MCA, the annuity term should generally be structured using the institutionalized spouse's full Medicaid life expectancy.

To see a case study of this strategy, see page 78.

When is this Strategy Appropriate?
Like any MCA strategy, this option should only be used in certain situations, namely when the community spouse is healthy. If the community spouse passes away before the institutionalized spouse, the state Medicaid agency replaces them as the primary beneficiary of the contract. Plus, if the couple has income exceeding the MMNA, they lose out on the economic benefit of MCA payments shifting to the community spouse.

THIS STRATEGY IS BEST WHEN:

- ☑ The community spouse is healthy
- ☑ The community spouse is expected to outlive the institutionalized spouse
- ☑ The community spouse has monthly income below the MMNA

Dealing With IRAs

In cases where the community spouse owns a large traditional IRA that is countable for Medicaid purposes, they can fund the account into an MCA. The benefit is the community spouse does not have to liquidate the account and face potential economic consequences. The transfer of the funds is not a taxable event, and the funds are taxed in the year each payment is made over the term of the annuity. In cases involving a small-value IRA, liquidation may be more worthwhile since the tax consequences may be offset by medical expense deductions.

When using the community spouse's IRA to fund an MCA, a longer annuity term is ideal in order to spread out the tax consequences and increase the economic benefit for the client. Non-qualified accounts (e.g., checking, savings accounts) and tax-qualified accounts cannot be mixed for MCA purposes, so the community spouse can purchase two MCAs in the event they need to spend down both non-qualified and tax-qualified assets.

If the institutionalized spouse owns an IRA, the couple has a few options. Since ownership of the account cannot be transferred without incurring immediate tax consequences, the funds can be transferred to an MCA in the name of the institutionalized spouse with the intention of an income shift to the community spouse under the MMNA rules. Unfortunately, this strategy is not ideal if the couple has income exceeding the MMNA. That's where the "Name on the Check Rule" comes in.

"Name on the Check Rule"

The "Name on the Check Rule" is an MCA strategy that involves a guideline used by Medicaid to determine who income belongs to. If the income is payable to a particular spouse, it is considered available only to that spouse. In other words, the income belongs to the person whose name is on the check. In the context of MCA planning, this guideline can be used when dealing with a traditional IRA owned by the institutionalized spouse. They can annuitize the IRA and make the income payable to the community spouse only. The institutionalized spouse is the owner and annuitant of the contract, and the community spouse is designated as payee.

With this strategy, the institutionalized spouse can avoid the immediate tax consequences of liquidating the tax-qualified account. Plus, naming the community spouse as payee allows the institutionalized spouse to avoid increasing their income and, thus, increasing their monthly Medicaid co-pay. This strategy also allows

the couple to take advantage of the favorable beneficiary rules by naming the community spouse as primary beneficiary. Although the community spouse receives the income from the annuity, the tax liability still belongs to the institutionalized spouse, as they are still the owner of the IRA.

To see a case study of this strategy, see page 82.

*We always recommend **consulting with a tax expert** before liquidating your client's IRA or transferring it to a Medicaid Compliant Annuity.*

Additional "Name on the Check Rule" Considerations

Utilizing the Full Medicaid Life Expectancy

Although individuals are not required to use the full Medicaid life expectancy as the annuity term, this is typically the most conservative approach in MCA planning. We strongly recommend structuring the annuity this way when using the "Name on the Check Rule" strategy.

Shifting of Income to the Community Spouse

As previously described, in cases where MMNA rules trigger an income shift from the institutionalized spouse to the community spouse, using the "Name on the Check Rule" may not be necessary. In these situations, the institutionalized spouse may remain payee of their tax-qualified annuity.

Structuring the Annuity With Paper Checks

We recommend foregoing the direct deposit payment option offered by most insurance companies and opting for paper checks. Paper checks made payable to the community spouse serve as additional evidence to the Medicaid caseworker that the income is in the name of the community spouse only.

Value of the IRA

When dealing with an IRA of small value, it may be more practical to liquidate the funds and transfer the net proceeds to the community spouse. The tax consequences of liquidating the funds may be offset by medical expense deductions when filing taxes that year. This is true of any tax-qualified MCA – not just when using the "Name on the Check Rule."

While the "Name on the Check Rule" strategy is a great option for most clients, its success varies by state. For the latest information on this or any MCA strategy in your state, please contact our office directly.

Strategies for a Single Person

The Medicaid Compliant Annuity strategies used for a single person are very different from the strategies used for a married couple. Not only is the asset limitation significantly less for a single person, but any income from the MCA is vulnerable to paying the nursing home. Two common strategies used in planning for a single person are the Gift/MCA Plan and the Standalone Plan.

Gift/MCA Plan

The Gift/MCA Plan (also known as the Half-a-Loaf Plan) is the most popular planning strategy for a single person. The goal of this strategy is to create a wealth transfer to the applicant's intended heir(s) in the form of a divestment, triggering a penalty period. The applicant then uses their remaining assets to purchase an MCA, which will help them privately pay for care during the penalty period. The MCA is structured to be congruent with the penalty period, so the annuity contract is terminated when the penalty period ends. Meanwhile, the divested funds are protected from recovery by the state Medicaid agency.

For this strategy, the divestment amount is typically about half of the spend-down amount, while the MCA is funded with the other half. We use a unique, proprietary formula to determine what the maximum divestment amount can be while still leaving enough funds for the annuity purchase. If you have a client that may benefit from the Gift/MCA Plan, we will provide these calculations at no charge and with no obligation to proceed.

To see a case study of this strategy, see page 86.

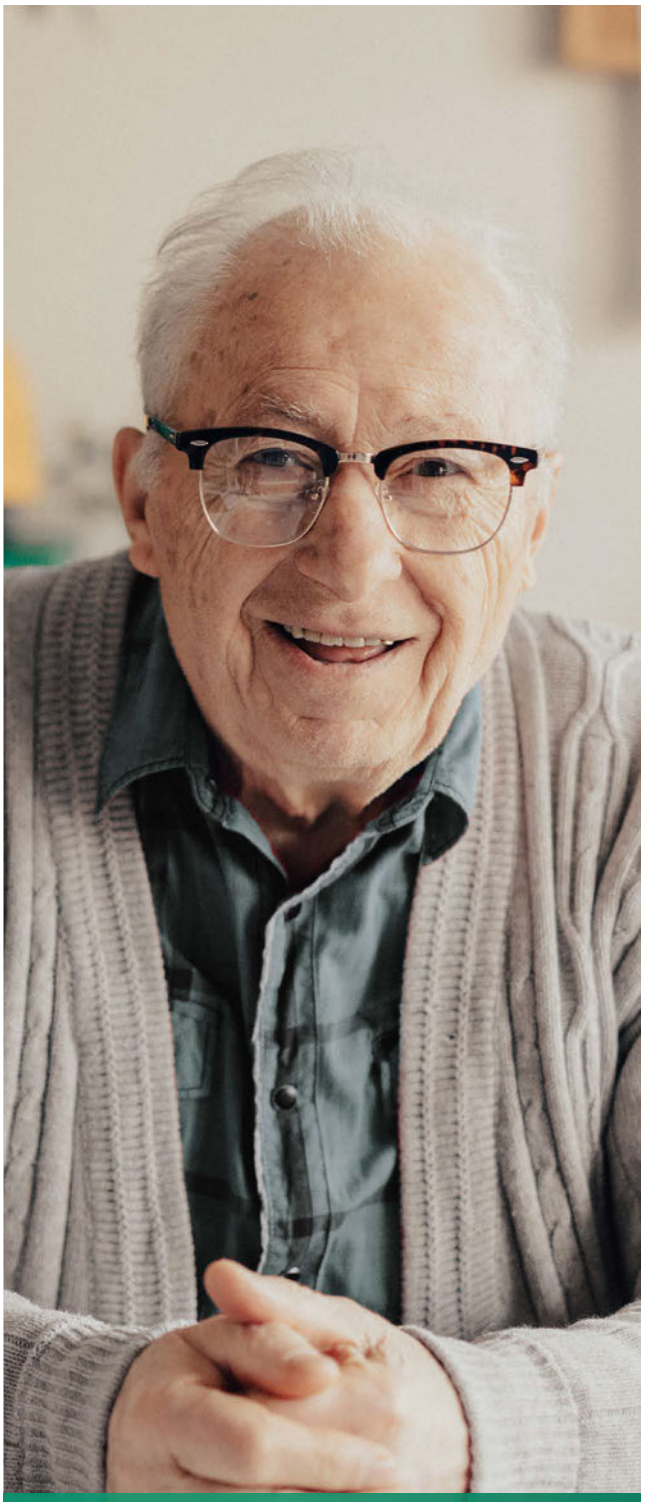
Standalone Plan

In cases where a single person has limited longevity and is expected to pass away in the near future, the Gift/MCA Plan might not be the best option. If the individual predeceases the penalty period and annuity term, they will not have gained any economic benefit, since they will have paid their full care costs during that time. Plus, some states enact income restrictions that render the Gift/MCA strategy not viable. In these cases, a single person can utilize the Standalone Plan.

Rather than create a divestment and purchase an annuity, the individual can fund their entire spend-down amount into an MCA. This quickly eliminates their excess countable assets, and the applicant gains immediate Medicaid eligibility. Because the annuity payments will become part of the monthly Medicaid co-pay, the annuity term is structured using their entire Medicaid life expectancy in order to minimize the monthly payments.

Once the applicant is eligible for benefits, the state Medicaid agency will pay the nursing home its Medicaid Reimbursement Rate, which varies by state but tends to be significantly lower than the private-pay rate. When the individual passes away, the state Medicaid agency, as primary beneficiary of the MCA, will be entitled to recover funds up to the amount of those expended. The amount expended is the Medicaid Reimbursement Rate minus the individual's monthly Medicaid co-pay. Once the state Medicaid agency has made its claim, any remaining funds will pass to the contingent beneficiary, the client's intended heir(s).

The economic benefit of the Standalone Plan is dependent on the lifespan of the Medicaid recipient. The longer the individual lives, the fewer residual benefits are available for the contingent beneficiary. As such, the success of this strategy cannot be guaranteed. Therefore, the Gift/MCA Plan is often more appealing, when viable, since the wealth transfer is made up front.



To see a case study of this strategy, see page 90.

MCA CASE STUDY:

COMMUNITY SPOUSE

MEET ARTHUR AND MARY
Arthur (81) was recently diagnosed with dementia and is facing a nursing home that costs $8,500 per month. His wife Mary (78) worries that paying the nursing home bill will deplete their life savings, so she meets with a local financial professional to learn about their options to qualify Arthur for Medicaid benefits.

Arthur's Age: 81

Mary's Age: 78

CASE FACTS

ARTHUR'S INCOME
$2,000

ASSETS
$300,000

MARY'S INCOME
$1,500

COST OF CARE
$8,500

[GOAL]

NUMBER ONE

Obtain immediate Medicaid eligibility for Arthur

[GOAL]

NUMBER TWO

Gather enough income for Mary to live comfortably

[GOAL]

NUMBER THREE

Preserve the couple's assets

SOLUTION:

Use a Medicaid Compliant Annuity to spend down the couple's excess countable assets in order to accelerate Arthur's eligibility for Medicaid benefits and provide Mary a monthly stream of income to maintain her lifestyle within the community.

1. STEP ONE:

DETERMINE THE SPEND-DOWN AMOUNT

Mary is allowed to retain up to one-half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $130,380. In order to avoid the edge of eligibility, she will keep $125,000, and Arthur will keep $2,000 for his Individual Resource Allowance. The couple will also purchase Funeral Expense Trusts of $8,000 for each spouse, or $16,000 total. Thus, the spend-down amount is $157,000.

Countable Assets:	$300,000
Mary's CSRA:	– $125,000
Arthur's Allowance:	– $2,000
Funeral Expense Trusts:	– $16,000
Spend-Down Amount:	**$157,000**

2. STEP TWO:

IMPLEMENT THE ANNUITY PLAN

The spend-down amount of $157,000 is funded into a Medicaid Compliant Annuity, converting the couple's excess assets into an income stream for Mary. Due to her high living expenses, Mary and her advisor agree to utilize a 36–month annuity term to ensure she is left with enough income. Because this term is shorter than her Medicaid life expectancy, the term is actuarially sound.

Single Premium	**Period Certain**
$157,000	36 Months
Monthly Payout	**Total Payout**
$4,400	$158,400

3. STEP THREE:

APPLY FOR MEDICAID

Purchasing the MCA eliminates the couple's excess countable assets, and Arthur is immediately eligible for Medicaid. With the MCA payment, Mary's total monthly income increases to $5,900. Because this amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,259.50, she does not receive a shift in income from Arthur. Arthur's monthly Medicaid co-pay to the nursing home is $1,950, which equals his monthly income of $2,000 minus his Monthly Personal Needs Allowance of $50.

Mary's Income:	$1,500
MCA Income:	+ $4,400
Mary's New Income:	**$5,900**
Arthur's Income:	$2,000
Personal Needs Allowance:	– $50
Arthur's Medicaid Co-Pay:	**$1,950**

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The agent assisting Arthur and Mary receives a commission of $1,790 on the MCA sale and $1,100 on the Funeral Expense Trust sales.*

Arthur's Medicaid co-pay is only $1,950, saving the couple $6,550 per month compared to the original cost of care.

Mary's income increases from $1,500 to $5,900 per month, which is more than she would receive under the MMNA rules alone.

Using a short annuity term increases the likelihood Mary will survive the annuity term, preventing the state Medicaid agency from collecting against the MCA as primary beneficiary.

If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in approximately 18 months.

ADDITIONAL CONSIDERATIONS

If Mary predeceases the annuity term, the remaining balance will be subject to recovery by the state Medicaid agency for the amount of benefits paid on behalf of Arthur. Additionally, some states will leave the beneficiary claim open until the institutionalized spouse passes away.

Similarly, if Mary enters a nursing home prior to the end of the MCA contract, the income would become part of her Medicaid co-pay or prevent her from qualifying for benefits if it exceeds her cost of care.

PLANNING TIP

When deciding how long the annuity term should be, be sure to factor in the community spouse's health, anticipated longevity, and lifestyle expenses. If they require high monthly income or are in declining health, using a shorter annuity term may make sense.

**For illustrative purposes only. Actual commissions may vary.*

MCA CASE STUDY:

INSTITUTIONALIZED SPOUSE

MEET WALTER AND IDA
Walter (80) has just entered the nursing home and is facing a monthly bill of $7,000. His wife Ida (80) is worried the nursing home costs will quickly drain their assets. She meets with a local financial advisor in the hopes that Walter can become eligible for Medicaid benefits.

Walter's Age: 80

Ida's Age: 80

CASE FACTS

WALTER'S INCOME
$1,500

ASSETS
$275,000

IDA'S INCOME
$1,200

COST OF CARE
$7,000

[GOAL]
NUMBER ONE

Obtain immediate Medicaid eligibility for Walter

[GOAL]
NUMBER TWO

Gather enough income for Ida to live comfortably via a shift in income from Walter

[GOAL]
NUMBER THREE

Preserve the couple's assets

SOLUTION:
Use a Medicaid Compliant Annuity to spend down the couple's excess countable assets. Walter will become immediately eligible for Medicaid benefits and Ida will receive a shift in income from Walter to maintain her lifestyle within the community.

1. STEP ONE:

DETERMINE THE SPEND-DOWN AMOUNT

Ida is allowed to keep up to one-half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $130,380. To avoid the edge of eligibility, she will retain $125,000. Walter can retain $2,000 for his Individual Resource Allowance. The couple decides to purchase Irrevocable Funeral Expense Trusts of $7,000 for each spouse, or $14,000 total. The result is a spend-down amount of $134,000.

Countable Assets:	$275,000
Ida's CSRA:	– $125,000
Walter's Allowance:	– $2,000
Funeral Expense Trusts:	– $14,000
Spend-Down Amount:	**$134,000**

2. STEP TWO:

IMPLEMENT THE ANNUITY PLAN

The spend-down amount of $134,000 is funded into a Medicaid Compliant Annuity owned by Walter, converting the couple's excess assets into an income stream. The MCA term is stretched over Walter's full life expectancy in order to limit the monthly income produced. Since Walter is 80 years of age, his Medicaid life expectancy is 8.43 years or 101.16 months.

Single Premium	**Period Certain**
$134,000	101 Months
Monthly Payout	**Total Payout**
$1,345	$135,845

3. STEP THREE:

APPLY FOR MEDICAID

Purchasing the MCA eliminates the couple's excess countable assets, and Walter becomes eligible for Medicaid benefits. Since Ida's income is below the Monthly Maintenance Needs Allowance (MMNA) of $3,259.50*, she is due a shift in income of $2,059.50 from Walter. With the MCA payments, Walter's total monthly income equals $2,845. To determine his monthly Medicaid co-pay, the income shift to Ida and his Monthly Personal Needs Allowance of $50 are subtracted from his income, including the MCA payments. The resulting figure is $735.50.

Ida's MMNA:	$3,259.50
Ida's Income:	– $1,200
Income Shift from Walter:	**$2,059.50**
Walter's Income:	$2,845
MCA Income:	+ $1,345
Walter's New Income:	$2,875
Income Shift to Ida:	– $2,059.50
Personal Needs Allowance:	– $50
Walter's Medicaid Co-Pay:	**$735.50**

** This assumes Ida is entitled to the maximum MMNA in her state.*

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The agent assisting Walter and Ida receives a commission of $5,590 on the MCA sale and $1,310 on the Funeral Expense Trust sales.*

Walter's Medicaid co-pay is only $735.50, saving the couple $6,264.50 per month compared to the original cost of care.

Ida's income increases from $1,200 to $3,259.50 per month under the MMNA rules.

Since Walter, the institutionalized spouse, owns the MCA, Ida can be listed as primary beneficiary ahead of the state Medicaid agency, meaning she can collect the funds upon his passing.**

If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in approximately 19 months.

ADDITIONAL CONSIDERATIONS

Should Ida predecease the annuity term, all MCA income reverts to Walter, which would cause his Medicaid co-pay to increase.

If Ida predeceases Walter and Walter predeceases the annuity term, the state Medicaid agency will be eligible to recover remaining benefits from the MCA as beneficiary.

PLANNING TIP

The economic benefits of this plan rely on the couple's income. Determine the community spouse's Monthly Maintenance Needs Allowance and the institutionalized spouse's potential MCA payments before proceeding with the strategy to ensure the income shifts as intended.

**For illustrative purposes only. Actual commissions may vary.*

***Beneficiary options vary by carrier and may include a full refund of the remaining balance, a discounted refund of the remaining balance, or a continuation of payments for the remainder of the annuity term.*

MCA CASE STUDY:

"NAME ON THE CHECK RULE"

MEET FRANK AND JUDY
Frank (79), who has been diagnosed with Parkinson's, is facing a nursing home that costs $8,000 per month. His wife Judy (78) is worried that paying the nursing home bill will quickly deplete their life savings and they may face significant tax consequences if they liquidate Frank's IRA of $150,000, so she talks to a local financial professional to determine their options.

Frank's Age: 79

Judy's Age: 78

CASE FACTS

FRANK'S INCOME
$2,100

ASSETS
$400,000

JUDY'S INCOME
$1,600

COST OF CARE
$8,000

[GOAL]
NUMBER ONE

Obtain immediate Medicaid eligibility for Frank

[GOAL]
NUMBER TWO

Gather enough income for Judy to live comfortably

[GOAL]
NUMBER THREE

Avoid the large tax consequences associated with liquidating Frank's IRA

SOLUTION:
Use Medicaid Compliant Annuities and the "Name on the Check Rule" to spend down the couple's excess countable assets. Frank will become eligible for Medicaid benefits and Judy will receive enough income to maintain her lifestyle within the community.

1. STEP ONE:

DETERMINE THE SPEND-DOWN AMOUNT

Judy is allowed to retain up to one-half of the couple's countable assets, not to exceed the maximum Community Spouse Resource Allowance (CSRA) of $130,380. To avoid the edge of eligibility, she will keep $125,000. Frank can retain $2,000 for his Individual Resource Allowance. The couple also purchases Funeral Expense Trusts of $10,000 for each spouse, totaling $20,000. Thus, the spend-down amount is $253,000.

Countable Assets:	$400,000
Judy's CSRA:	– $125,000
Frank's Allowance:	– $2,000
Funeral Expense Trusts:	– $20,000
Spend-Down Amount:	**$253,000**

2. STEP TWO:

IMPLEMENT THE ANNUITY PLAN

The couple secures two annuities. First, Frank funds his IRA amount of $150,000 into a tax-qualified MCA owned by him but made payable to Judy through the "Name on the Check Rule." At age 79, Frank's MCA is structured using his full life expectancy of 8.98 years or 107.76 months. Second, Judy funds the remaining spend-down amount of $103,000 into a non-qualified MCA owned by and made payable to her. Judy and her advisor agree to utilize a 60-month term.

Single Premium	Period Certain
FRANK $150,000	FRANK 107 Months
JUDY $103,000	JUDY 60 Months
Monthly Payout	**Total Payout**
FRANK $1,420	FRANK $151,940
JUDY $1,745	JUDY $104,700

3. STEP THREE:

APPLY FOR MEDICAID

Purchasing the MCAs eliminates the couple's excess countable assets, and Frank is immediately eligible for Medicaid benefits. With the MCA payments, Judy's total monthly income increases to $4,765. Because this amount exceeds her Monthly Maintenance Needs Allowance (MMNA) of $3,259.50, she does not receive a shift in income from Frank. Frank's monthly Medicaid co-pay is $2,050, which equals his monthly income of $2,100 minus his Monthly Personal Needs Allowance of $50.

Judy's Income:	$1,600
MCA Income:	+ $3,165
Judy's New Income:	**$4,765**
Frank's Income:	$2,100
Personal Needs Allowance:	– $50
Frank's Medicaid Co-Pay:	**$2,050**

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The agent assisting Frank and Judy receives a commission of $8,450 on the MCA sales and $1,870 on the Funeral Expense Trust sales.*

Frank's Medicaid co-pay is only $2,050, saving the couple $5,950 per month compared to the original cost of care.

Judy's income increases from $1,600 to $4,765 per month, which is more than she would receive under the MMNA rules alone.

Making the annuity payments payable to Judy using the "Name on the Check Rule" saves Frank from incurring the significant tax consequences of liquidating an IRA while also preventing the MCA payments from being part of Frank's monthly Medicaid co-pay.

If the couple chose not to proceed with the plan, they would exhaust their entire spend-down amount in less than 32 months.

ADDITIONAL CONSIDERATIONS

If Judy predeceases either annuity term, her MCA would be subject to recovery by the state Medicaid agency and Frank's MCA income would revert to him. This would cause his Medicaid co-pay to increase.

If Judy predeceases Frank and Frank predeceases his annuity term, the state Medicaid agency will be eligible to recover remaining benefits from the MCA as contingent beneficiary.

PLANNING TIP

Plan conservatively when using the "Name on the Check Rule." Always structure the annuity using the institutionalized spouse's full Medicaid life expectancy. Also, be sure to check with our office on how the strategy has been treated in your state before proceeding with your first case.

**For illustrative purposes only. Actual commissions may vary.*

MCA CASE STUDY:

GIFT/MCA PLAN

MEET PAULINE
After being diagnosed with dementia, Pauline (82) enters a nursing home that costs $8,300 per month. In order to avoid losing her life savings to pay the nursing home bill, she wants to make a wealth transfer to her children. She turns to a local financial advisor for help.

Pauline's Age: 82

CASE FACTS

PAULINE'S INCOME
$1,800

ASSETS
$150,000

DIVESTMENT PENALTY DIVISOR
$7,500

COST OF CARE
$8,300

[GOAL]
NUMBER ONE

Obtain Medicaid eligibility for Pauline as quickly as possible

[GOAL]
NUMBER TWO

Preserve her assets

[GOAL]
NUMBER THREE

Create a wealth transfer to the next generation

SOLUTION:
Gift a portion of Pauline's countable assets to her children and use a Medicaid Compliant Annuity with the remaining assets to help pay for her care during her penalty period. Pauline will then be eligible for Medicaid benefits at the end of her penalty period.

1. STEP ONE:

DETERMINE THE SPEND-DOWN AMOUNT

Pauline is allowed to keep an Individual Resource Allowance of $2,000, and she decides to purchase an Irrevocable Funeral Expense Trust of $10,000. The $2,000 allowance and $10,000 trust are subtracted from her total assets of $150,000. The result is $138,000.

Countable Assets:	$150,000
Pauline's Allowance:	– $2,000
Funeral Expense Trust:	– $10,000
Spend-Down Amount:	**$138,000**

2. STEP TWO:

IMPLEMENT THE ANNUITY PLAN

To determine Pauline's monthly income shortfall, her income of $1,800 is subtracted from her cost of care, and the resulting figure is $6,500. That amount is added to the Divestment Penalty Divisor to calculate the burn rate, which comes to $14,000. The spend-down amount is then divided by the burn rate, which equals 9.86 months. That figure is rounded up to 10 and represents the length of the plan. To determine the gift amount, the length of the plan is multiplied by the Divestment Penalty Divisor for a total gift amount of $75,000. When the gift amount is subtracted from the spend-down amount, the resulting figure is the MCA single premium amount of $63,000.

Cost of Care:	$8,300
Pauline's Income:	– $1,800
Income Shortfall:	$6,500
Divestment Penalty Divisor:	+ $7,500
Burn Rate:	**$14,000**

Spend-Down Amount:	$138,000
Burn Rate:	÷ $14,000
Length of Plan:	**9.86 Mo.**
Round Up:	**10 Mo.**

Length of Plan:	10 Mo.
Divestment Penalty Divisor:	x $7,500
Gift Amount:	**$75,000**

3. STEP THREE:

APPLY FOR MEDICAID

After gifting $75,000 to her children, Pauline purchases the MCA and applies for Medicaid. The MCA will pay Pauline $6,320 per month for 10 months, which increases her total monthly income to $8,120. During her 10-month penalty period, Pauline uses her increased monthly income of $8,120 to pay her nursing home bill. She will have an income shortfall of $180 per month throughout the penalty period, which she can pay using either her resource allowance or the funds gifted to her children.

Single Premium	Period Certain
$63,000	10 Months
Monthly Payout	**Total Payout**
$6,320	$63,200

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The agent assisting Pauline receives a commission of $440 on the Funeral Expense Trust sale.* The agent can increase their earnings by charging a seperate planning fee.

Beginning in month 11, Pauline will be eligible for Medicaid benefits. Her monthly Medicaid co-pay will be $1,750, which equals her income minus her Monthly Personal Needs Allowance of $50.

Pauline makes a wealth transfer of $75,000 to her children, which is more than 50% of her spend-down amount.

If Pauline chose not to proceed with the plan, she would exhaust her entire spend-down amount in less than 17 months.

ADDITIONAL CONSIDERATIONS

If Pauline predeceases the 10-month plan, she will not have gained any economic benefit.

If Pauline's cost of care increases or she has unexpected medical expenses during the penalty period, her children may have to use some of the gifted funds to help pay for her care.

PLANNING TIP

Remember, the client's income cannot exceed their cost of care when using this strategy. When structuring the plan and the Medicaid Compliant Annuity, always leave a shortfall of about $200 to ensure the client is well below their income threshold.

**For illustrative purposes only. Actual commissions may vary.*

MCA CASE STUDY:

STANDALONE PLAN

MEET NEIL
Since his health is quickly deteriorating, Neil (82) must enter a nursing home that costs $8,400 per month. Rather than lose his life savings to pay the nursing home, Neil wants an opportunity to pass along an inheritance to his children. He turns to a local financial professional for help.

Neil's Age: 82

CASE FACTS

NEIL'S INCOME
$1,500

ASSETS
$200,000

MEDICAID REIMBURSEMENT RATE
$6,000

COST OF CARE
$8,400

[GOAL]
NUMBER ONE

Obtain immediate Medicaid eligibility for Neil

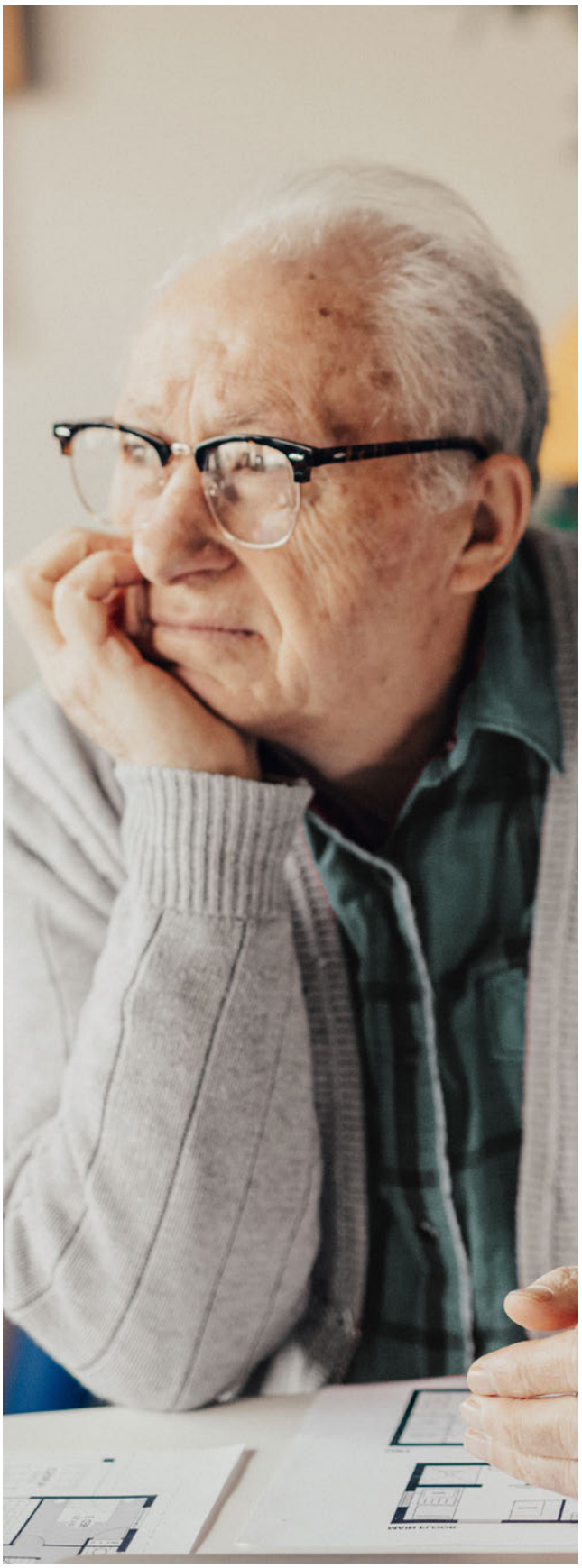
[GOAL]
NUMBER TWO

Preserve his assets

[GOAL]
NUMBER THREE

Create a wealth transfer to the next generation

SOLUTION:
Use a Medicaid Compliant Annuity to spend down Neil's excess countable assets and gain immediate Medicaid eligibility. Once eligible, Neil will save on care costs by paying a portion of the Medicaid Reimbursement Rate, rather than the private pay rate, with the intention of leaving a portion of his assets to his beneficiaries.



1. STEP ONE:

DETERMINE THE SPEND-DOWN AMOUNT

Neil is allowed to keep $2,000 of countable assets. He also opts to purchase an Irrevocable Funeral Expense Trust of $8,000. Subtracting his Individual Resource Allowance of $2,000 and the trust amount of $8,000 from his total assets of $200,000, Neil's spend-down amount equals $190,000.

Countable Assets:	$200,000
Neil's Allowance:	– $2,000
Funeral Expense Trust:	– $8,000
Spend-Down Amount:	**$190,000**

2. STEP TWO:

IMPLEMENT THE ANNUITY PLAN

The spend-down amount of $190,000 is funded into a Medicaid Compliant Annuity. To minimize the monthly payout, the annuity term is structured using Neil's full life expectancy. At 82 years old, his Medicaid life expectancy is 7.4 years, or 88.8 months, rounded down to 88 months.

Single Premium	**Period Certain**
$190,000	88 Months
Monthly Payout	**Total Payout**
$2,180	$191,840

3. STEP THREE:

APPLY FOR MEDICAID

Neil is immediately eligible for Medicaid benefits and his total income increases to $3,680. Subtracting his Personal Needs Allowance of $50, his Medicaid Co-Pay is $3,630 per month. Since the Medicaid Reimbursement Rate at the facility is $6,000, Medicaid is expending the difference of $2,370 on Neil each month.

Neil passes away after 12 months. The state Medicaid agency, as primary beneficiary, paid a total of $28,440 in benefits on behalf of Neil. Additionally, the payments made from his MCA total $26,160. Subtracting Medicaid's claim and the MCA payments made from the MCA investment of $190,000, the resulting figure of $135,400 is available for Neil's contingent beneficiaries—his children.

Neil's Income:	$1,500
MCA Income:	+ $2,180
Neil's New Income:	$3,680
Personal Needs Allowance:	– $50
Neil's Medicaid Co-Pay:	**$3,630**
Medicaid Reimbursement Rate:	$6,000
Medicaid Co-Pay:	– $3,630
Monthly Difference: (Paid by Medicaid)	**$2,370**
MCA Investment:	$190,000
Medicaid Claim: ($2,350 x 12 = $28,200)	– $28,440
MCA Payments Made: ($2,200 x 12 = $26,400)	– $26,160
Residual Balance for Children:	**$135,400**

ALTERNATIVE TIMELINES

Since the wealth transfer amount is contingent on the timing of Neil's passing, here are a few alternative timelines to consider:

TIME IN FACILITY	MEDICAID'S CLAIM	MCA PAYMENTS MADE	RESIDUAL BALANCE
18 Months	$42,660	$39,240	$108,100
24 Months	$56,880	$52,320	$80,800
30 Months	$71,100	$65,400	$53,500

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The agent assisting Neil receives a commission of $7,400 on the MCA sale and $480 on the Funeral Expense Trust sale.*

After becoming eligible for Medicaid, Neil saves $2,400 per month on care costs. This reflects the difference between the private pay rate of $8,400 and the Medicaid reimbursement rate of $6,000.

After residing in the nursing home for 12 months, Neil makes a wealth transfer of $135,400 upon his passing, which is more than 70% of his spend-down amount.

If Neil had done nothing, he would have exhausted his spend-down amount in less than 23 months.

ADDITIONAL CONSIDERATIONS

If Neil lives longer than 42 months, the state Medicaid agency's claim will exceed any residual balance in the annuity.

If Neil's longevity was questionable, his advisor may have opted to proceed with the Gift/MCA plan instead, since that strategy creates a guaranteed and immediate wealth transfer.

PLANNING TIP

Since the success of this plan is dependent on the client's passing, be sure to discuss all possible scenarios with the client's family to avoid any misunderstandings down the road.

**For illustrative purposes only. Actual commissions may vary.*

IRREVOCABLE FUNERAL EXPENSE TRUSTS

An Irrevocable Funeral Expense Trust is a staple in any estate plan. It serves as a simple spend-down tool for your clients who are looking to apply for Medicaid benefits, and it provides you a quick sale opportunity for an easy commission. This product allows you to help your clients improve their financial security while also boosting your revenue.

What is an Irrevocable Funeral Expense Trust?

An Irrevocable Funeral Expense Trust is a small guaranteed-issue life insurance policy that is irrevocably assigned to a funeral trust controlled by the insurance company. Your clients can use this product to plan for end-of-life expenses in a flexible manner, allowing them to control their choice of funeral home as well as the goods and services they receive. There is no age limit to qualify, so this product can be added regardless of where your client is in the planning process. Plus, the funds are immediately available to pay for funeral expenses upon the owner's death.

BENEFITS OF PURCHASING AN IRREVOCABLE FUNERAL EXPENSE TRUST

- ☑ No fees
- ☑ Anyone can qualify
- ☑ Exempt from probate
- ☑ Proceeds are free from income tax
- ☑ Funds can be used at any funeral home provider

TURN YOUR CLIENT'S EXCESS COUNTABLE ASSETS INTO AN IRREVOCABLE FUNERAL EXPENSE TRUST.

Use in Medicaid Planning

As a simple Medicaid spend-down tool, this product is an essential part of every client's long-term care plan. It pairs well with a Medicaid Compliant Annuity, since each product allows your clients to protect their assets while accelerating their eligibility for benefits. Many states even allow Medicaid applicants to purchase funeral trusts on behalf of their spouses and children.

The face value limit of an Irrevocable Funeral Expense Trust varies by state, and some states have no limitation. Some insurance companies, however, may limit the amount that can be funded into the policy, which is typically $15,000. Certain states also require a Letter of Goods and Services to accompany the trust. This letter outlines the specific costs of the insured's funeral expenses, such as the casket, burial plot, funeral service, and other parts. We can help you obtain this letter on behalf of your client, if necessary.

Quick Sale and Competitive Commission

Adding this simple product to your portfolio is a great way to increase your earnings and protect your client's finances in the process. An Irrevocable Funeral Expense Trust is an easy add-on tool when you're trying to help your client spend down their countable assets in order to get the benefits they deserve.

SECURE YOUR CLIENT'S FINANCES WHILE ENHANCING YOUR BUSINESS.

IRREVOCABLE FUNERAL EXPENSE TRUST LIMITS BY STATE

STATE	LIMIT	STATE	LIMIT
ALABAMA*	$15,000	MISSOURI	$9,999 w/o G&S $15,000 w/ G&S
ALASKA	$1,500	MONTANA	$15,000
ARIZONA	$9,000 w/o G&S $15,000 w/ G&S	NEBRASKA	$5,212
ARKANSAS*	$15,000	NEVADA*	$15,000
CALIFORNIA	$15,000	NEW HAMPSHIRE*	$15,000
COLORADO	$15,000	NEW JERSEY*	$15,000
CONNECTICUT	$10,000	NEW MEXICO	$15,000
DELAWARE	$15,000	NEW YORK	NOT AVAILABLE
D.C.	$15,000	NORTH CAROLINA	$15,000
FLORIDA	$15,000	NORTH DAKOTA	$6,000
GEORGIA	$10,000	OHIO	$15,000
HAWAII	$15,000	OKLAHOMA	$10,000
IDAHO	$15,000	OREGON	$15,000
ILLINOIS	$6,562 w/o G&S $15,000 w/G&S	PENNSYLVANIA	VARIES BY COUNTY
INDIANA	$15,000	RHODE ISLAND	$15,000
IOWA	$13,125 w/o G&S $15,000 w/ G&S	SOUTH CAROLINA	$15,000
KANSAS*	$7,000	SOUTH DAKOTA	$10,000
KENTUCKY	$10,000 w/o G&S $15,000 w/ G&S	TENNESSEE*	$6,000
LOUISIANA	$10,000	TEXAS	$15,000
MAINE	$12,000	UTAH	$7,000
MARYLAND	$15,000	VERMONT	$10,000
MASSACHUSETTS*	$15,000	VIRGINIA	$15,000
MICHIGAN	NOT AVAILABLE	WASHINGTON	$15,000
MINNESOTA*	$15,000	WEST VIRGINIA*	$15,000
MISSISSIPPI	$15,000	WISCONSIN	$15,000
		WYOMING	$15,000

Last Updated January 1, 2021

**A Letter of Goods and Services may be required.*

LONG-TERM CARE INSURANCE

Long-Term Care Insurance (LTCI) is the ultimate pre-planning tool. LTCI is an insurance contract that provides a monetary benefit in the event of a long-term care stay for individuals who are age 65 or older or disabled. LTCI is available in either Traditional or Hybrid policies and covers a variety of facilities, including nursing homes and assisted living communities as well as at-home care. It provides flexibility for seniors, allowing them to choose the type of long-term care they receive and where they receive it. In many cases, LTCI beneficiaries can remain independent for longer and delay a nursing home stay until absolutely necessary. It's an ideal solution for those in need of care.

LTCI must be purchased when the individual is healthy before they require long-term care.

Unfortunately, many seniors fail to plan ahead. That's why we highly recommend discussing Long-Term Care Insurance with your senior clients and covering the benefits of planning ahead. Although our company focuses heavily on crisis Medicaid planning, we truly believe pre-planning is the best type of planning. Medicaid is a great resource for those in need, but LTCI will help your client avoid unnecessary financial stress if they need long-term care in the future. Not to mention, LTCI sales also produce sizeable commissions for our agents. Encourage your clients to plan in advance with LTCI.

PROTECT YOUR CLIENTS AND INCREASE YOUR REVENUE WITH LTCI.

TWO TYPES OF LONG-TERM CARE INSURANCE

Traditional LTCI

Hybrid LTCI

A New Outlook on Retirement and Aging

The pandemic and resulting economic crisis in 2020 made many seniors reconsider their future plans. Although a health crisis can strike at any time, more older adults are realizing the possibility of falling ill and requiring long-term care. In addition to these health concerns, many of your senior clients may currently be dealing with financial distress as well. This presents a great opportunity for you to discuss Long-Term Care Insurance with them, since it can help alleviate both of these fears. Purchasing an LTCI policy now can give your clients peace of mind as they age. And in the event they require long-term care, they have the funds and flexibility to receive the care they deserve.

WE OFFER ANONYMOUS PRE-SCREENING

Don't let the fear of being denied prevent your client from exploring LTCI coverage. We provide complimentary and anonymous pre-screening to determine whether your client would likely qualify for a policy. If your client is a good candidate, they can proceed with confidence through the qualification process. If not, we will advise on this up front, saving your client from receiving an official LTCI denial on their record. From there, we can provide information about the other options available to save them from the high cost of long-term care.

"PURCHASING AN LTCI POLICY NOW CAN GIVE YOUR CLIENTS PEACE OF MIND AS THEY AGE."

Is LTCI Right for Your Client?

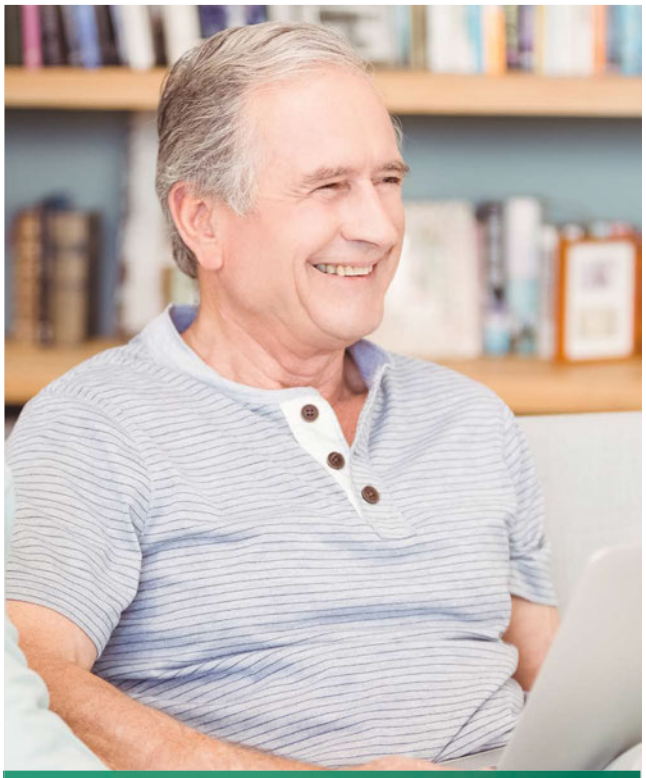
Since Long-Term Care Insurance must be purchased when an individual is healthy, it can be challenging to determine if your client is a good candidate. If you're not sure whether Long-Term Care Insurance is the right product for your client, *ask them the following questions:*

- ☑ *Do you use a wheelchair, walker, respirator, dialysis machine, stairlift, or oxygen machine?*
- ☑ *Do you require help with eating, bathing, dressing, or toileting? Do you need assistance transferring into and out of a bed or chair? Do you have trouble maintaining continence?*
- ☑ *Have you ever been diagnosed with AIDS, HIV, or ARC disorders? Have you tested positive for antibodies for the AIDS virus?*
- ☑ *Have you ever been diagnosed with or presented symptoms of Alzheimer's disease, dementia, memory loss, multiple sclerosis, muscular dystrophy, ALS (Lou Gehrig's disease), or Parkinson's disease?*
- ☑ *Are you incapable of walking four blocks or climbing two flights of stairs?*

If your client answered, "No," to these questions, they may be a good candidate for LTCI. To find out for certain whether they will qualify for coverage, they can proceed with an anonymous health prescreen. Please reach out to our team with any specific questions or concerns.

Traditional Long-Term Care Insurance

Traditional LTCI offers affordable and flexible policy options for your clients who are looking to plan ahead. This type of LTCI functions like a traditional insurance policy where the owner pays regular premiums in exchange for future benefits in the form of financial coverage for a long-term care stay. The policy does not hold any cash value and can be structured to meet the client's anticipated needs.



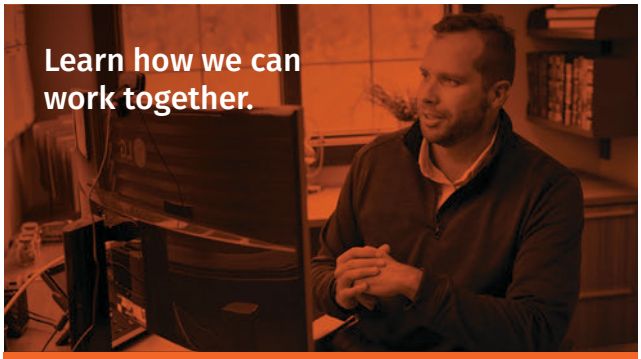
To see a case study of this strategy, see page 100.

Benefits of Traditional LTCI

Traditional LTCI can be structured to fit the client's specific anticipated needs without breaking their budget. Custom options include the benefit period, daily benefit amount, premium payment structure, and elimination period. Plus, the daily benefit amount can be built around your state's average cost of care, ensuring your client gets the perfect amount of coverage without overpaying for benefits they don't need. Our goal is to design a plan that provides great protection at the right price. Additionally, this product is eligible for the state partnership program.

Who Should Purchase Traditional LTCI?

If you have a client in good health between the ages of 30 and 79, this product can help them safeguard their financial future. Traditional LTCI is best suited for those who do not have a large lump sum to invest into a policy and are looking for a more cost-effective option while still ensuring they are covered in the event of a long-term care stay. Because the policy has no cash value, it may also be appropriate for a healthy community spouse whose partner is seeking Medicaid benefits.



Schedule a time with one of our in-house experts at ***thekrauseagency.com/ltci.***

ISSUE UP TO AGE 79

COST-EFFECTIVE PLANNING OPTION

STATE PARTNERSHIP ELIGIBLE

Hybrid Long-Term Care Insurance

Also known as Asset-Based LTCI, Hybrid Long-Term Care Insurance consists of a life insurance or annuity contract with long-term care benefits attached. This type of policy is typically funded with a single premium, and its benefits can be customized to fit your client's anticipated long-term care goals. The main difference between Traditional and Hybrid LTCI is this policy has cash value that continues to grow, providing a return on investment for the owner.

Benefits of Hybrid LTCI

Hybrid LTCI policies earn growth on a tax-deferred basis, allowing your clients to receive a return on investment. Then, if they require a long-term care stay, your client can access the proceeds tax-free. Under the Pension Protection Act, this policy can also be funded using an existing deferred annuity. Any gain recognized on the previous policy can be used tax-free in a long-term care situation. In short, this policy continues to earn money while providing tax benefits at the same time.

Additionally, Hybrid LTCI counteracts the old "use it or lose it" mentality that often accompanies traditional policies. If your client never requires care, rather than losing the premium amount to the insurance company, Hybrid LTCI provides a guaranteed death benefit for their intended heir(s). This gives your clients peace of mind not only in the event of a long-term care stay, but also in knowing they aren't at risk of losing their investment.

Who Should Purchase Hybrid LTCI?

If you have a client in good health under age 86 who is looking to solidify their estate plan, this product is the best choice to protect their financial future. Because Hybrid LTCI typically requires a lump sum premium amount, it may be more appropriate for higher net worth clients who can afford the upfront investment. Additionally, Hybrid LTCI contains cash value, so it should not be used in conjunction with a crisis Medicaid plan. However, if your client is in the pre-planning stages of long-term care planning, this product offers financial security as well as the opportunity for growth.

To see a case study of this strategy, see page 104.

ISSUE UP TO AGE 86

TYPICALLY FUNDED WITH A LUMP SUM

DEATH BENEFIT IF LTC IS NEVER NEEDED

TRADITIONAL LTCI CASE STUDY:

MODEST NET WORTH

MEET JIM

Jim is in the process of working with his advisor to adjust his financial plan. He recently helped his mother as she entered a nursing home and wants to plan for his future by purchasing an LTCI policy while he's still healthy.

Jim's Age: 60

CASE FACTS

CURRENT INCOME **$2,000**	HEALTH **Good**
CURRENT COST OF CARE **$8,000**	ASSETS AT RISK **$300,000**

[CONCERN]

NUMBER ONE

Jim is worried he'll deplete his life savings with future long-term care costs

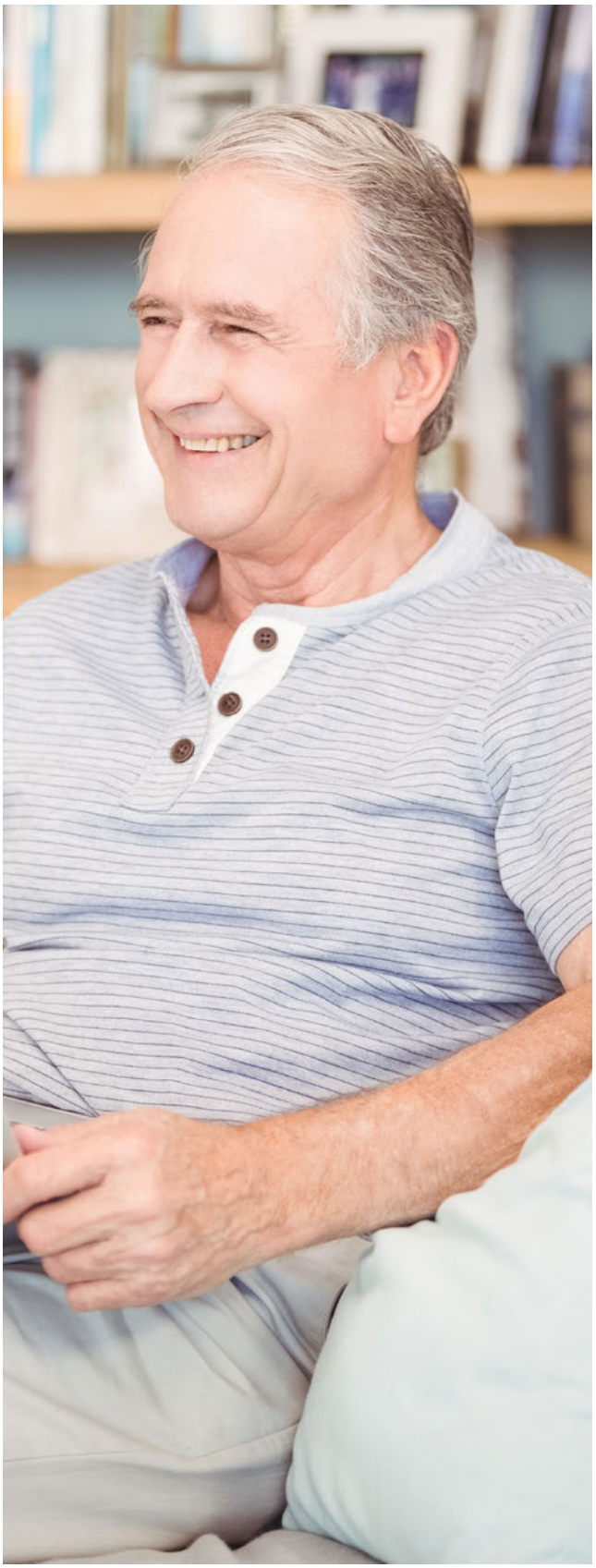
[CONCERN]

NUMBER TWO

Jim doesn't have much money to spend on an LTCI policy

SOLUTION:

After discussing options with his advisor, Jim chooses a Traditional LTCI policy with a benefit pool of $150,000 and a monthly benefit of $6,000. He will pay $170 per month in premiums until he goes on claim. His LTCI policy also includes a 3% inflation rider, which makes it more likely his monthly benefit will cover care costs, and has state partnership protection, which can help him qualify for Medicaid in the event he exhausts all his LTCI benefits.



PRIMARY POLICY FEATURES:
Jim's traditional LTCI policy is affordable while still providing him great coverage. The inflation rider will help his monthly benefit grow over time, and the state partnership protection will help him save his remaining assets while accelerating Medicaid eligibility.

IF JIM DOES NOT REQURE LONG-TERM CARE:
Jim remains healthy enough to care for himself before passing away peacefully in his sleep at age 85. Since he did not require long-term care during his life, Jim received no benefits from his LTCI policy. He would have spent $51,000 on his LTCI premiums during this time, meaning he did not go broke trying to pay for his policy.

IF JIM NEEDS LONG-TERM CARE:
25 YEARS LATER, JIM GOES ON CLAIM.
By age 85, Jim has been diagnosed with dementia and now requires long-term care. Due to the 3% inflation rider on his LTCI policy, Jim now has a benefits pool of $300,000 and a monthly benefit of $12,000. In the 25 years since purchasing the policy, Jim has paid approximately $51,000 in premiums. The current cost of long-term care is $12,000 per month.

Jim's Income:	$4,000
Benefits Pool:	$300,000
Monthly Benefit:	$12,000
Premiums Paid:	$51,000
Death Benefit:	$0
Cost of Care:	$12,000

ROUGHLY 2 YEARS LATER, JIM EXHAUSTS HIS LTCI BENEFITS.
After 25 months on claim, Jim has exhausted all $300,000 of his LTCI benefits. Additionally, since his policy had state partnership protection, he can now keep $302,000 in assets, which equals his Individual Resource Allowance plus the total amount of benefits paid on his behalf, and still be eligible for Medicaid.

Cost of Care:	$12,000
Months in Care:	x 25
Total Cost of Care:	**$300,000**
Benefits Pool:	$300,000
Total Cost of Care:	– $300,000
Remaining Benefits:	**$0**
State Partnership Protection:	$300,000
Individual Resource Allowance:	+ $2,000
Increased Resource Allowance:	**$302,000**

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The advisor earns $1,350 in commission on the sale in the first year, along with small trail commissions thereafter.*

Jim paid $51,000 in premiums but received $300,000 in benefits and $300,000 in state partnership protection without having to pay out of pocket for care, leveraging his money by 12 times.

Had he not purchased LTCI, Jim would have depleted his $300,000 in assets in just 25 months.

ADDITIONAL CONSIDERATIONS

If Jim's LTCI policy did not have an inflation rider, he would have exhausted his benefits in the same amount of time (25 months), but he would have also paid $150,000 out of pocket.

If Jim paid less per month in premiums for an LTCI policy with a lower monthly benefit, he would risk depleting his assets on care costs anyway.

PLANNING TIP

In order for a traditional LTCI policy to qualify for a state partnership program, it must be structured with an inflation rider. Be sure to discuss this with your client when exploring LTCI policy options.

**For illustrative purposes only. Actual commissions may vary.*

HYBRID LTCI CASE STUDY:

HIGH NET WORTH

MEET JOHN AND EILEEN
John (55) and Eileen (55) recently moved Eileen's mother into a nursing home, which has prompted them to take steps to ensure they're prepared should they require long-term care in the future. They currently have $2,000,000 in assets and want to purchase an LTCI policy that won't go to waste if they don't end up using it.

John's Age: 55
Eileen's Age: 55

CASE FACTS:

CURRENT TOTAL INCOME
$5,000

HEALTH
Excellent

CURRENT COST OF CARE
$8,000

ASSETS AT RISK
$2,000,000

[CONCERN]

NUMBER ONE

John and Eileen don't want to risk losing their LTCI premium if they don't require long-term care

[CONCERN]

NUMBER TWO

They want their money to work for them

SOLUTION:

In discussions with their adivsor, the couple has decided on a $318,000 Single Premium Hybrid LTCI policy that will provide each of them a monthly benefit of $12,000 for an unlimited number of years, or $288,000 per year if both spouses go on claim. Additionally, the policy includes a death benefit of $600,000 if neither spouse requires long-term care. The death benefit is reduced dollar for dollar for claims paid on their behalf.

Benefits Pool:	Unlimited
Monthly Benefit:	$12,000/person
Premiums Paid:	$318,000
Death Benefit:	$600,000 (reduced $ for $ for claims paid)

PRIMARY POLICY FEATURES:
John and Eileen's Hybrid LTCI policy offers them protection from paying the full price of a long-term care stay while ensuring they don't lose their premiums paid if they never require care. Additionally, the unlimited benefit pool covers the couple for as long as they're living, and the death benefit (minus claims paid) provides an added benefit for their children.

IF NEITHER JOHN NOR EILEEN REQUIRE LONG-TERM CARE:
John and Eileen were able to take care of one another and received a limited amount of in-home care from their children before passing away. Since neither spouse required long-term care, their children received $600,000, which is almost double what the couple paid in premiums.

IF JOHN AND/OR EILEEN NEED LONG-TERM CARE:
25 YEARS LATER, ONE SPOUSE GOES ON CLAIM.
By age 80, Eileen has been diagnosed with Parkinson's disease and now requires long-term care. Without an inflation rider, the policy benefits are the same as when the couple purchased the LTCI. She enters a facility that costs $12,000 per month, which comes to $144,000 in total benefits used for the year, reducing the death benefit to $456,000.

Monthly Benefit:	$12,000
Time in Facility:	x 12 Mo.
Benefits Used:	**$144,000**
Full Death Benefit:	$600,000
Benefits Used Thus Far:	– $144,000
Remaining Death Benefit:	**$456,000**

ONE YEAR LATER, BOTH SPOUSES GO ON CLAIM.
One year later, John becomes too ill to care for himself and enters the same facility as Eileen. The couple is now using $24,000 per month of their LTCI monthly benefit, which comes to $288,000 for the year, resulting in $432,000 in total benefits used. This reduces John and Eileen's death benefit to $168,000.

Monthly Benefit: ($12,000 x 2 = $24,000)	$24,000
Time in Facility:	x 12 Mo.
Benefits Used:	**$288,000**
Full Death Benefit:	$600,000
Benefits Used Thus Far:	– $432,000
Remaining Death Benefit:	**$168,000**

ECONOMIC RESULTS

[AGENT'S COMMISSION]

The advisor earns $22,000 in commission on the sale of the policy.*

In this case, the couple has 7 more months until exhausting their full death benefit, but they will continue receiving LTCI benefits for an unlimited number of months.

Since John and Eileen have an unlimited benefit pool, their remaining assets can be preserved for future generations.

ADDITIONAL CONSIDERATIONS

If their cost of care exceeds their monthly benefit of $12,000, the couple would be responsible for paying the excess care costs.

This type of LTCI policy requires a large lump sum, so it likely won't be appropriate for clients who have a net worth under $1,000,000 at the time of purchase.

PLANNING TIP

Hybrid LTCI typically requires a large lump sum investment. If your client has limited assets, consider a Traditional LTCI policy instead.

**For illustrative purposes only. Actual commissions may vary.*

FAQs

At The Krause Agency, we take pride in being the go-to resource in elder care products for agents nationwide, and we aim to make planning for long-term care as simple and straightforward as possible. To gain a better understanding of who we are, what we do, and how we can help, take a look at our Frequently Asked Questions. If you have a question that is not addressed here, please don't hesitate to reach out to us.

About Us

Q: How do I work with you?
A: Since timing is crucial when dealing with Medicaid benefits, obtaining a product through our company is an easy and streamlined process. Our Benefits Planners will take your client's case facts and work with you to determine the most appropriate plan to help them gain Medicaid eligibility. Simply contact us to get started.

Q: Why should I work with you?
A: We have a well-earned reputation in the industry, and we have over 30 years of experience in long-term care planning, working with agents and financial advisors, and helping build businesses across the nation. We're committed to providing superior customer service from start to finish in order to ensure the best results for your senior clients.

Q: Which insurance carriers do you work with?
A: Only a handful of carriers provide Medicaid compliant products. Our office works with several nationwide carriers that specialize in these products, many of which have an A.M. Best rating of "A" or higher. Additionally, we have exclusive partnerships with many of these companies. For more information on the products and carriers available in your state, contact our office directly.

Q: Where is The Krause Agency located?
A: Our main office is in De Pere, WI, and we have a satellite office in Fort Lauderdale, FL, though we work nationwide.

Q: Are you familiar with my state's regulations?
A: Yes. We remain up to date on all state-specific case decisions, laws, and regulations. Our goal is to empower agents across the nation by providing customized support, education, products, and services.

Q: Do you work directly with my client to complete the product purchase?
A: While we are happy to assist your clients with any questions regarding a Medicaid Compliant Annuity purchase, the agent is our preferred point of contact. Clients interested in purchasing Long-Term Care Insurance will have direct contact with a representative from our office.

Q: What if my client receives a Medicaid denial?
A: In the event of a denial, simply contact the Benefits Planner who assisted you with your case and provide a copy of supporting documentation for review. Most denials can be remedied at the caseworker level; however, should your case require a fair hearing, our office can provide fair hearing support and expert testimony.

Medicaid Compliant Annuities

Q: What is a Medicaid Compliant Annuity (MCA)?
A: An MCA is a spend-down tool that can help your clients qualify for Medicaid benefits. It is a Single Premium Immediate Annuity with added restrictions to meet the requirements of the Deficit Reduction Act of 2005. It is irrevocable and non-assignable, provides equal monthly payments, and contains zero cash value. Additionally, the SPIA must be structured to be "actuarially sound" in accordance with each state's Medicaid manual and must name the state Medicaid agency as primary beneficiary (in most cases). See page 50 for more information.

Q: Who owns the annuity? And to whom is the annuity payable?
A: The parties of an annuity contract vary depending on the case facts. In most cases involving a married couple, the community spouse is owner and payee, though some married couple cases may warrant naming the institutionalized spouse as the owner and payee. In cases involving a single person, the applicant for Medicaid is both the owner and payee. Utilizing the "Name on the Check Rule" is one of the only situations in which the owner and payee of contract are different individuals. This strategy involves an institutionalized spouse naming the community spouse as the payee of an MCA funded with an IRA owned by the institutionalized spouse.

Q: What is the minimum premium amount to fund a Medicaid Compliant Annuity?
A: Most of our insurance carriers require a minimum premium amount of $5,000. For details on the carrier options and requirements in your state, please contact our office directly.

Q: What is the minimum term length for a Medicaid Compliant Annuity?
A: Most of our insurance carriers require a minimum term of two months, though they may also enforce premium maximums for short-term annuities. For details on the carrier options and requirements in your state, please contact our office directly.

Q: What happens if the owner of the annuity predeceases the term?
A: If the owner predeceases the annuity term, the named beneficiaries will receive the remaining amount in the annuity. If the state Medicaid agency is the primary beneficiary, it is entitled to recover funds up to the amount expended on behalf of the institutionalized individual. Any remaining benefits will be distributed to the contingent beneficiary. Each insurance carrier has their own beneficiary payment options, so please contact us for more information on a specific case.

Q: What happens if the owner of the annuity outlives the term?
A: An MCA makes a fixed number of payments, which end at the completion of the annuity term. If the owner outlives the term of the annuity, the annuity contract will automatically terminate upon the final payment.

Q: Is my client able to roll over their IRA into a Medicaid Compliant Annuity?
A: In most cases, yes, your client can roll over or transfer their IRA into an MCA. The IRA cannot be annuitized, and it must contain a cash value. To verify if your client qualifies for this option or if the rollover/transfer is appropriate for your client, please contact us directly.

Q: Is my client able to roll over their existing annuity into a Medicaid Compliant Annuity?
A: In certain situations, yes, the client can request a 1035 Exchange to have the annuity transferred to a new contract. The annuity must be a deferred or variable annuity in order to perform the 1035 Exchange, and it cannot be annuitized. Your client may also be able to conduct a 1035 Exchange to transfer the cash value of an existing life insurance policy to an MCA. To verify that your client qualifies for this option, please contact us directly.

Q: My state allows promissory notes. Why use a Medicaid Compliant Annuity instead?
A: In many cases, especially when cash assets are involved, an MCA is more practical. Since it's controlled by the insurance carrier rather than a family member, it places less responsibility and stress on the family member. Promissory notes can also be problematic if the designated family member undergoes a disruptive event (e.g. death, bankruptcy, divorce), which may subject the funds to seizure by another party. Finally, an MCA requires much less long-term management than a promissory note.

Q: Does the state Medicaid agency need to be listed as primary beneficiary on the annuity?
A: In almost all cases, yes, the state Medicaid agency must be listed as primary beneficiary. Exceptions may apply in certain cases. Please contact us directly for details on your specific case.

Q: What are the fees associated with purchasing a Medicaid Compliant Annuity from you?
A: Our philosophy is to never charge a fee when it is not necessary. Therefore, all planning and case advising is complimentary. A processing fee may apply if a client decides to proceed with the annuity purchase. The processing fee varies depending on the term length and premium amount of the purchased annuity. Many of our other products do not require a fee at all; this includes single premium whole life insurance policies, funeral expense trusts, and tax-deferred annuities. Contact us directly with specific questions.

Q: Are you able to assist with existing, non-compliant annuities?
A: Yes. If your client owns an existing annuity that is not compliant with Medicaid regulations, we are happy to review the contract to determine the best course of action. In many cases, we can assist in selling the non-compliant annuity on the secondary market. Contact us with a copy of the client's contract to get started.

Our Process

Q: If I'm not an elder law attorney, do I have to work with one?
A: Although not required, we strongly encourage you to work with an elder law attorney. We are unable to provide legal advice. If you would like a recommendation for an elder law attorney in your area, please contact us.

Q: How do I begin a case with you?
A: To get started, simply reach out to us. If you'd like to start online, you can fill out the quote request form on our website at thekrauseagency.com. If you'd prefer to speak with someone directly, you may call our office at (800) 255-1932 and ask to speak with a Benefits Planner. If you've worked with us before, you can also email the Benefits Planner you worked with in the past.

Q: How do I obtain appointment paperwork?
A: The appointment paperwork must be obtained directly from The Krause Agency. It is not available online. Feel free to inquire via telephone at (800) 255-1932 or via email at info@thekrauseagency.com.

Q: Where do I send my appointment paperwork?
A: You may send the completed agent appointment paperwork via mail, by faxing it to (805) 683-6313, or by emailing info@thekrauseagency.com. Your paperwork should include the completed application, a copy of your insurance license(s), proof of E&O, and any other documents that were sent to you for completion. You will receive a confirmation upon receipt informing you that the documentation was received and if any further action is necessary.

Q: When can I start submitting business? Are there any production limits?
A: Once approved, you may start writing business immediately. Please note that you may not be assigned an agent code until after you submit your first piece of business. We do not stipulate production limits, but you must submit at least one piece of business every 12 months to stay active with most carriers.

Q: Can I send business directly to the insurance carrier?
A: No. You must first send the application paperwork to our office for review and processing. Once the application has been processed, we will immediately forward it to the insurance carrier.

Q: When will I receive my commission?
A: Typically, carriers provide commissions the week following the contract's release. However, specific commission policies are dependent upon the respective insurance carrier and timing may vary based on the circumstances of the case. For more information, please contact our office directly.

Q: Why is there a fee involved?
A: In the case of a short-term annuity, many carriers require we pay a fee in order to secure the annuity purchase. In this case, no commission is available, and we collect the fee from the client. Processing fees cover the assistance provided by our staff in reviewing application documents and ensuring Medicaid compliance. We also offer complimentary case support in the event of a Medicaid denial. We never charge a fee if we don't have to. Therefore, all case advisement, proposals, and quotes are complimentary with no obligation to proceed. A fee may only be due if the client chooses to purchase the annuity.

Q: What's the difference between acquiring a comprehensive proposal and a quote?
A: Comprehensive proposals are detailed plans outlining how your client can use a Medicaid Compliant Annuity or other insurance product to accelerate their eligibility for benefits. These proposals include a product recommendation and the projected economic results of the plan.

If you already know the desired product, term, and premium amount for your client's case, we can provide a quick quote and any necessary application paperwork.

Q: My client is ready to proceed with the annuity purchase. What's the next step?
A: If your client is ready to proceed with purchasing an MCA, please send the annuity application documents as well as the funds to our office for processing. Please contact one of our Benefits Planners for the necessary paperwork and instructions.

Q: How long does it take to receive the policy?
A: Once our office receives the application and funds, the insurance carrier will begin the process of issuing the policy the next business day. Once we receive the policy contract back from the carrier, we will fax a copy to your office immediately and send the originals via mail. Policies are typically issued within 5 to 7 business days from the time of submission. This timeframe may vary based on the insurance carrier and the method of funding the annuity.

Q: My client died before the annuity term ended and the state Medicaid agency was named primary beneficiary. What happens now?
A: Once you notify us of the death, we can handle the death claims process for your office. First, we will notify the insurance carrier of the death. Once they receive a death certificate, they can begin the claims process. The insurance carrier will then notify the State Medicaid agency (primary beneficiary) of its interest in the MCA and send a claim package to the State as well as the contingent beneficiary. Next, the State must send a reimbursement or release letter to the insurance carrier. Once received, the insurance carrier will settle the State's claim, accept the release, and distribute the subsequent MCA balance (if any) to the contingent beneficiaries. In cases involving a married couple, some states might leave their claim open if the institutionalized spouse is still living.

GLOSSARY

Actuarially Sound – The requirement that an MCA be structred with a fixed term that is equal to or shorter than the owner's Medicaid life expectancy.

Annuitant – With a traditional annuity, the person whose life expectancy the contract is based on.

Annuity – An insurance contract that provides regular income to the owner in exchange for a lump sum investment. Payments from the contract begin upon annuitization. Annuitization may either occur immediately (see Single Premium Immediate Annuity) or at later date (see Tax-Deferred Annuity).

Annuity Term – The period during which an annuity provides regular payments. The annuity term may also be referred to as the "period certain" or "term certain."

Community Spouse (CS) – The spouse who remains at home or in an assisted living facility and does not receive Medicaid benefits.

Community Spouse Resource Allowance (CSRA) – The amount of countable assets that the community spouse is entitled to retain when qualifying the institutionalized spouse for Medicaid benefits. Excess assets beyond the CSRA must be spent down before eligibility is achieved. This figure varies by state. Most states have a minimum and maximum CSRA. The community spouse is entitled to one-half of the couple's countable assets as of the snapshot date, not to exceed the maximum and not to fall below the minimum. (See Snapshot Date for additional information.) In states with a singular CSRA, the community spouse is entitled to a standardized amount regardless of the couple's assets as of the snapshot date.

Contingent Beneficiary – The party that receives any remaining contract benefits after the primary beneficiary has made its claim.

Countable Assets – Assets owned by the Medicaid applicant and/or spouse that the state Medicaid agency uses to determine financial eligibility for benefits. In order to qualify, the applicant and/or spouse are limited to a certain amount of countable assets. Some examples include bank accounts, cash, stocks, bonds, tax-deferred annuities, and additional real estate beyond the primary residence.

Crisis Medicaid Planning – Financial and legal planning done to accelerate one's eligibility for Medicaid benefits. It occurs when an individual needs immediate financial relief from high long-term care costs, and they have not conducted any pre-planning (the purchase of long-term care insurance, prior funding of an asset protection trust, etc.).

Custodial Care – See Long-Term Care.

Deficit Reduction Act of 2005 (DRA) – The most recent federal law that changed multiple regulations relating to Medicaid benefits, such as the calculation of transfer penalties, the lookback period, and the treatment of annuities.

Divestment of Assets – A transfer of assets for less than fair market value (also known as a gift). If a divestment occurred within the lookback period, the state Medicaid agency will impose a penalty period of ineligibility based on the amount transferred.

Divestment Penalty Divisor – The figure used to determine the length of a penalty period if a divestment has been made during the lookback period. The divisor varies by state and represents a state's average private-pay rate at a skilled nursing facility. Some states may use multiple divisors.

Durable Power of Attorney – A legal document that designates an attorney-in-fact/agent to handle an individual's legal and financial responsibilities. The transfer of responsibilities can either occur immediately or when an individual becomes incapacitated. A person must be of sound mind when they make their attorney-in-fact/agent designation(s).

ElderCounsel – A national organization that provides members (elder law and special needs attorneys) with drafting software, education, training, and support services.

Estate Recovery – A state Medicaid agency may recover funds from a deceased Medicaid recipient's estate to cover the cost of benefits provided on his or her behalf. If the deceased individual is survived by a spouse, minor child, or blind or disabled child, the state may not recover from the estate. Specific rules vary by state.

Exempt Assets – Assets not considered by the state Medicaid agency when determining an applicant's financial eligibility. Exempt assets include the primary residence, personal property, one motor vehicle, prepaid burial plans, and life insurance policies with a face value of less than $1,500 (amount varies by state).

Fair Hearing – The process of appealing a decision by the state Medicaid agency regarding an applicant's Medicaid eligibility. The applicant may seek a fair hearing if they believe benefits were incorrectly denied, reduced, or terminated.

Gift – The result of giving away money, property, items, or other assets for less than their worth.

Gift Tax Exclusion – An IRS regulation that allows each person to give away a certain amount of money each year without incurring a tax on the gift. This exclusion is not applicable when planning for Medicaid benefits.

Hybrid Long-Term Care Insurance – Also known as Asset-Based LTCI, this type of LTCI consists of a life insurance or annuity contract with long-term care benefits attached. The policy benefits provided to the insured are determined by the premium amount.

Individual Resource Allowance – The amount of assets a Medicaid applicant can retain and still qualify for benefits. The allowance provides a small amount to the institutionalized individual for discretionary spending.

Income Cap State – A state that requires an applicant's gross monthly income (if above the state's income cap) flow through a Qualified Income Trust (QIT)/Miller Trust in order to qualify for Medicaid benefits. In 2021, the cap is currently $2,382. These states include Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware ($1,985), Florida, Georgia, Idaho, Indiana, Iowa, Kentucky, Mississippi, Nevada, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, and Wyoming. See Qualified Income Trust for additional information.

Alternate Definition – A state that requires an applicant's gross monthly income be less than a specific amount in order to qualify for Medicaid benefits, even if the applicant has a Qualified Income Trust. Some states may impose a specific cap, while others may require the applicant's gross income not exceed the Medicaid Reimbursement Rate at the facility.

Institutionalized Spouse (IS) – The spouse who is in a nursing home (or other Medicaid-approved facility) and is seeking Medicaid benefits.

Lawyers With Purpose – A national membership organization for "attorneys practicing in estate planning and documents, elder law and elder law practice systems, Medicaid planning, asset protection, Special Needs planning, and/or Veterans Administration (VA) Benefits planning."

Life Expectancy Table – An actuarial table based on the mortality experience of a population. The table is used in annuity calculations. For Medicaid purposes, some states use their own life expectancy tables, while others use the Social Security Administration's table.

Long-Term Care – Care for an individual that requires daily assistance with basic functions of life, including eating, bathing, dressing, transferring, toileting, medication management, and assistance with prosthetic devices. This is also known as custodial care. 70% of individuals over the age of 65 will require some type of long-term care during their lifetime.

Lookback Period – The five-year period in which a state's Medicaid agency will "look back" to determine if a Medicaid applicant has made a divestment. If the individual and/or their spouse has made any divestments that are not cured/returned, the applicant will be subject to a penalty period of ineligibility.

Medicaid – A program funded on both the state and federal levels that is intended for people with low incomes and limited resources. Medicaid pays for the majority (over 60%) of long-term care services in the United States. The federal government dictates the rules, and states administer their programs locally through applications and eligibility requirements. Individuals must meet specific criteria to qualify for Medicaid services.

Medicaid Compliant Annuity (MCA) – A Single Premium Immediate Annuity (SPIA) with added restrictions to meet the requirements of the Deficit Reduction Act of 2005. An MCA must be irrevocable and non-assignable, provide equal monthly payments, and contain zero cash value. Additionally, the MCA must be structured to be "actuarially sound" in accordance with each state's Medicaid manual and must name the state Medicaid agency as primary beneficiary (in most cases).

Medicaid Life Expectancy – Expected mortality age determined by the life expectancy table published by the Chief Actuary of the Social Security Administration or by a state's specific life expectancy table, as outlined in each state's Medicaid manual.

Medicaid Reimbursement Rate – The rate at which the state Medicaid agency will pay a facility for a Medicaid recipient's care. This rate tends to be substantially lower than the private-pay rate.

Medicare – A program directed by the federal government that functions primarily as a health insurance program for people over age 65. Medicare benefits are intended for short-term services, when the medical condition is expected to improve, and acute care. In most cases, Medicare does not pay for custodial care (non-medical assistance with daily life activities).

Miller Trust – See Qualified Income Trust.

Monthly Maintenance Needs Allowance (MMNA) – The amount of monthly income to which a community spouse is entitled. If the community spouse's income does not meet their state's MMNA, they are entitled to a shift in income from the institutionalized spouse. This figure varies by state. Most states have a minimum and maximum MMNA, and the community spouse is entitled to at least the minimum. The MMNA may be increased depending upon the community spouse's monthly shelter expenses, not to exceed the maximum. In states with a singular MMNA, the community spouse is entitled to the standardized figure regardless of shelter expenses.

NAELA – The National Academy of Elder Law Attorneys is "a non-profit association that assists lawyers, bar organizations, and others. NAELA's mission is to educate, inspire, service, and provide community to attorneys with practices in elder and special needs law.

"Name on the Check Rule" – A guideline used by Medicaid agencies to determine income ownership. If the income is specifically payable to one spouse, either the institutionalized spouse or the community spouse, it is considered available to only that respective spouse. When planning with MCAs, an institutionalized spouse may annuitize their IRA and make the income payable only to the community spouse. Success or failure of this strategy varies by state.

"Otherwise Eligible" – The condition for the penalty period to begin after a divestment has been made. To be considered "otherwise eligible" aside from the ineligible transfer, an applicant must qualify physically and financially for Medicaid benefits, including being spent down to the appropriate asset limit.

Owner – The owner of an annuity is the party that purchases the annuity and irrevocably designates the remaining parties of the contract.

Partial Cure – A partial cure occurs when a gift recipient returns a portion of the gift to the Medicaid applicant, thereby reducing any previously applied divestment penalty period.

Payee – The payee of an annuity is the party that receives the contract payments.

Penalty Period – The period of ineligibility imposed by a state Medicaid agency if divestments have occurred within the lookback period. An applicant must be considered "otherwise eligible" aside from the transfer. The length of the penalty period is based on the amount transferred and the state's specific Divestment Penalty Divisor.

Personal Needs Allowance – The amount of income a Medicaid recipient is entitled to each month to be used for their personal expenses (toiletries, clothing, etc.). This figure varies by state.

Pre-Planning – The process of planning for long-term care in advance, prior to requiring care.

Primary Beneficiary – The person or entity that receives the remaining contract payments or a lump sum of benefits if the owner predeceases the term of the annuity or contract.

Private-Pay Rate – The rate at which a long-term care facility charges an individual who is paying out of pocket for care or not receiving Medicaid benefits.

Promissory Notes – A legal instrument that involves a promise by one party to pay a specific amount of money to another party, either by a predetermined date or on demand. Promissory notes can be used in crisis situations to convert excess countable resources into an income stream and are typically made between family members. Many states consider promissory notes to be either a countable resource or a divestment.

Qualified Income Trust (QIT) – An irrevocable, income-only trust which holds the income of a Medicaid applicant/recipient. Any income received by the individual beyond the state's income cap must be funded through the trust. Also known as a Miller Trust, it may only consist of pension, social security, and other income, plus any accumulated interest. The state Medicaid agency is entitled to recover the balance remaining in the trust upon the death of the individual, up to the amount expended on their behalf. A Qualified Income Trust is only required in certain states.

Refusal Letters – Letters from secondary market buyers that support an annuity's inability to be bought or sold due to its restrictive provisions.

Shelter Standard – The amount of monthly shelter expenses for which the community spouse is responsible. If the community spouse has monthly shelter expenses in excess of the Shelter Standard, they may be entitled to an increased Monthly Maintenance Needs Allowance (MMNA). This figure varies by state.

Snapshot Date – The date used by the state Medicaid agency to take a "snapshot" of a couple's finances to determine eligibility. In states that impose a minimum and maximum Community Spouse Resource Allowance (CSRA), the snapshot date determines the couple's protected amount. Under federal law, the snapshot date is the first day of continuous institutionalization.

Single Premium Immediate Annuity (SPIA) – An annuity funded with a one-time investment amount that is annuitized upon purchase of the contract. It begins providing regular payments as soon as it is funded and has no growth or deferral period.

Society of Financial Services Professionals – A national membership organization that provides educational opportunities, professional resources, and ethical standards to financial services professionals.

Standard Utility Allowance – The standardized figure used by the state Medicaid agency in place of a community spouse's actual utility costs (heat, electric, etc.). This figure varies by state and is used to calculate a community spouse's total shelter expenses.

Tax-Deferred Annuity – An annuity that has not been annuitized (is not providing regular payments). A tax-deferred annuity may continue to accumulate growth and has cash value that is accessible to the owner of the contract.

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