A Case Study:
Protecting Your Wealth from Long-Term Care Costs

Tina came into the Campbell & Smith Attorneys at Law Florence office seeking advice and direction. Jim and Tina were both teachers, lived in Union, and were very conservative with their money. They had three children and saved so they could leave something to their children upon passing.

Jim had been battling dementia for five years. With the help of family, Tina was able to provide for Jim in their home for a while. Eventually, Jim reached the point that Tina could no longer take care of Jim at home and needed to find a nursing home.

On Jan. 1, 2018, Jim moved into a nursing home in Florence. The couple owned a home in Triple Crown and had the typical furniture, personal property, a couple of vehicles, and $400k in a brokerage account. Jim's income was around $3,000 a month from a P&G Pension and Social Security. Tina received around $1,000 a month in Social Security.

However, the nursing home bill was about $8,000 a month. The average cost of a semi-private nursing home in Kentucky in 2017 was $6,728. By 2027, the average cost is expected to be $9,042 *(The Genworth Cost of Care Survey)*.

Tina's monthly household expenses were $3,500. When Jim was admitted to the nursing home, he was informed that all but $40 of his income would go to the nursing home, unless Tina qualified for a hardship waiver.

In addition to needing more income for day-to-day expenses, Tina also needed an additional $5,000 a month for the nursing home bill – that's $60,000 a year. Even if there were no increases in the cost of the nursing home, their brokerage account would take a substantial hit depending on the length of time Jim needed care.

What would happen if Tina required long-term care as well? The burn rate would more than double since Tina's income was not as much as Jim's. Or worse, Tina would have to sell their home in order to pay for the nursing home stay.

What options did Tina and Jim have? Campbell & Smith were there to help.

Option 1: Tina could pay the nursing home the "private pay" amount. Jim would be allowed to keep $2,000. Tina would be allowed to keep roughly $120,000 and pay the rest of their assets to the nursing home. They probably had sufficient funds, but there would be nothing left for their heirs.

Option 2: Tina and Jim could use the money from the brokerage account to provide a substantial amount of income to Tina and still qualify Jim for Medicaid. This is accomplished through detailed estate planning in combination with the transferring of resources – being careful not to run afoul of Kentucky Medicaid Policy.

Once Jim was approved for Medicaid, Tina began pre-planning for herself so in the event she needed to go into a nursing home, her assets would be protected and preserved for their children.

Campbell & Smith Law provides these services and can help you and your families navigate through the complexities of long-term care costs and the preservation of assets.