

## Meet Ralph and Donna – Community Spouse Medicaid Planning

Ralph and Donna, both age 78, have been a hard-working couple all their lives. They've been good savers and investors, amassing about \$350,000 in retirement savings. They are currently living off only their incomes in a home that is fully paid for. Donna has an income from Social Security of \$850 a month and Ralph's Social Security and pension add up to \$1,750 per month.

The home is exempt from the spenddown, but the retirement savings are considered fully countable if one of them needs nursing home care.

Donna has a stroke and goes into the hospital. The hospital discharges Donna to rehab. After 100 days, Medicare discontinues coverage, but Donna cannot return home. She is now considered a custodial care patient of the facility. The cost at the facility is \$8,500 per month.

The Community Spouse Resource Allowance for 2016 is \$119,220. That means that they will be forced to spend down \$230,780 before Medicaid will help with the cost of care. In 27 months Donna will be on Medicaid and have wiped out over two-thirds of their full retirement savings.

What can Ralph and Donna do?

Ralph can buy a HarborMaster annuity for approximately \$230,780. Because the HarborMaster is designed to be DRA Compliant, the purchase of the annuity is considered a conversion of a countable asset into an income stream. Because Ralph is 79, his annuity be set to payout over a term up to 9.2 years (110 months) with a payment of over \$2,000 per month or more depending on the term.

Because Ralph can keep all of his income, he would have \$119,220 in liquid assets and a monthly income of about \$4,000. Since his income is too high to receive a spousal allowance from Donna, most of Donna's income would go to the nursing home. She would be able to keep her \$50/month Personal Needs Allowance, but the rest would go to the facility.

By using the HarborMaster SPIA, instead of spending \$8,500 on the nursing home each month, Donna would only pay \$800. If Ralph did not live long enough to receive the full payback from the SPIA, any remaining payments may be subject to recovery by the state's Medicaid program. (Note: This requirement varies by state.)

The net result is that instead of wiping out Ralph's retirement nest egg, he can continue to have Donna get the same care she would have received if he had paid privately and still been able to live on and use the income from the SPIA.