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## A CONVERSATION ABOUT LONG-TERM CARE

*By Dan Maki*

Long-term care - what is it, what will it cost, and how will it financially impact my family? These are common questions that people face when considering long-term care needs.

“Long-term care” is a broad term describing assistance with physical and mental activities over an extended period of time. Long-term care services include home health care, adult day care, assisted living, and nursing home care. The type of service required depends on an individual’s circumstance and need.



### WHAT WILL LONG-TERM CARE COST?

Costs vary greatly by region and type of care. In 2018 the national median cost for long-term care services ranged from \$4,000/month for assisted living to \$8,365/month for private room nursing home care<sup>i</sup>. The average period of time care was required for all types of services varied from 3.7 years for women to 2.2 years for men<sup>ii</sup>. For the most expensive type of care, nursing home care, the average length of stay is 1 year<sup>iii</sup>. It is our experience that most people fear stays longer than these averages. Although planning for long term

care is challenging, we believe it is important to keep these averages in mind when attempting to measure financial risk.

### WHAT OPTIONS DO I HAVE TO PAY FOR LONG-TERM CARE?

There are multiple sources to pay for long-term care costs, the largest being state Medicaid programs followed by paying out-of-pocket with income and assets<sup>iv</sup>. Purchasing long-term care insurance is another option. Long-term care insurance will cover a portion of care expense

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however people often find that the cost of premiums outweighs the potential benefits paid by the policy. The cost of long-term care insurance has risen as health care costs have increased, making it prohibitively expensive for many people. In fact, less than 8% of Americans purchase it<sup>i</sup>. In some situations, if long-term care insurance is available as a group benefit, it may be more affordable. Many people also believe that Medicare will cover their long-term care needs. However, the reality is that Medicare will not cover most of these expenses.

**WHAT IS MEDICAID?**

For many Americans long-term care expenses are paid using assets and income; while for others who qualify, their expenses are mostly covered by Medicaid. Medicaid is a government program that is funded by both the federal and state governments and administered by each state to cover medical and custodial care expenses for people with limited resources. Specific rules for Medicaid are different for each state but all must fall within guidelines outlined by the federal government.

**WHAT HAPPENS TO MY FINANCIAL ASSETS IF I NEED LONG-TERM CARE?**

The treatment of financial assets, such as savings & investments, is different for unmarried and married people. Retirement accounts, such as IRAs, may or may not be considered an asset, and treatment varies by state. Medicaid is the option of last resort, and both groups' assets will need to be reduced to certain levels before they can qualify for Medicaid assistance. For unmarried individuals, assets must be reduced to as little as \$2,000<sup>vi</sup>. For married couples the level is higher and ranges from \$25,284 to \$126,420 depending on each state's rules<sup>vii</sup>. Financial assets retained by a married couple must be held in the name of the healthy spouse. Once assets have been reduced to the required levels, the person needing care can apply

**STATE SPECIFIC DETAILS**



	Minnesota	Wisconsin	Florida
Individual Resource Allowance	\$3,000	\$2,000	2,000
Community Spouse Resource Allowance	123,600	123,600	123,600
Income Limit (Monthly)	2,250	2,250	2,250
Home Equity Limit	572,000	858,000	572,000
Exempt Assets Includes Retirement Accounts	No	Yes	No

*For Further Information:*

*Minnesota: [www.medicaidplanningassistance.org/medicaid-eligibility-minnesota](http://www.medicaidplanningassistance.org/medicaid-eligibility-minnesota)*

*Wisconsin: [www.medicaidplanningassistance.org/medicaid-eligibility-wisconsin](http://www.medicaidplanningassistance.org/medicaid-eligibility-wisconsin)*

*Florida: [www.medicaidplanningassistance.org/medicaid-eligibility-florida](http://www.medicaidplanningassistance.org/medicaid-eligibility-florida)*

for Medicaid. In some situations, a Medicaid compliant annuity contract may allow additional assets above the guidelines to be retained by converting the assets into a stream of income that is exempt from consideration for Medicaid. However, this strategy can be very complex and is generally not a consideration until care is actually needed.

**WHAT HAPPENS TO MY HOME IF I NEED LONG-TERM CARE?**

When considering how your home may be affected by long term care costs, it is important to understand that Medicaid defines the term "home" as a primary residence only. Land that is attached to the primary residence property may also be protected within limitations set by the state. For married couples a home will be protected as long as one spouse continues to live there. If an unmarried individual moves out of their primary residence into a long-term care facility and is not intending to return, their home may need to be sold to help fund costs<sup>viii</sup>. Also, some states impose a maximum level of home equity interest which an unmarried individual may retain in order to qualify for Medicaid; in 2018 this level ranged from \$572,000 to \$858,000<sup>ix</sup>. In both situations, after an unmarried individual or both spouses have passed, some states may attempt to recover Medicaid costs from the estate.

**WHAT HAPPENS TO MY INCOME IF I NEED LONG-TERM CARE?**

The treatment of income and Medicaid coverage is similar to the treatment of financial assets. For unmarried individuals, the majority of their income will be required to pay for long-term care expenses. For married couples, the healthy spouse will always be able to keep all of their own income, and if their income falls below a minimum level, they may keep a portion of the other spouse's income too. The minimum income allowance range for 2019 is \$2,057/month to \$3,160/month, the actual amount will vary by state<sup>x</sup>. If the healthy spouse has income below the minimum, they can keep the difference between their own income and the minimum from the sick spouse's income. The remainder of the sick spouse's income would then have to be used for care expenses.

**SUMMARY**

For many, the topic of long-term care is a bit unnerving as it is complex and filled with uncertainty. We believe that when planning for care it is important to consider the costs and benefits while still maintaining a comfortable lifestyle while you are healthy and active. There are multiple ways we can address this within a financial plan. If you are concerned or have questions about long term care, please ask us at our next meeting.

i <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>  
 ii (<https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>)  
 iii <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>  
 iv (<https://longtermcare.acl.gov/the-basics/who-pays-for-long-term-care.html>)  
 v (ASPE Issue Brief: Long-Term Services and Supports for Older Americans: Risks and Financing)  
 vi <https://longtermcare.acl.gov/medicare-medicaid-more/medicaid/medicaid-eligibility/financial-requirements-assets.html>

vii <https://www.medicaid.gov/medicaid/eligibility/downloads/spousal-impoverishment/ssi-and-spousal-impoverishment-standards.pdf>  
 viii <https://aspe.hhs.gov/basic-report/medicaid-treatment-home-determining-eligibility-and-repayment-long-term-care>  
 ix <https://www.medicaid.gov/federal-policy-guidance/downloads/cib120517.pdf>  
 x <https://www.medicaid.gov/medicaid/eligibility/downloads/spousal-impoverishment/ssi-and-spousal-impoverishment-standards.pdf>

## NEW YEAR, NEW BENEFICIARIES?



**Kristin Rognerud**  
Financial Advisor

By Kristin Rognerud

Have you checked your beneficiaries lately? It is important to review beneficiary designations periodically to make sure that changes in life circumstances are captured and that your estate plan truly represents your wishes. Births, deaths, marriages, divorces, and updates to trust documents all require a thorough beneficiary review, however it is easy to forget. The new year is a great time to make certain your beneficiaries are up to date. For retirement accounts with Raymond James, your beneficiaries are listed right on your statement. For other accounts you may need to request the information. Be sure to check beneficiary designations on:

- Retirement Accounts
- Insurance Policies
- Accounts with transfer on death or payable on death designations (ie, investment, checking, savings)
- Trusts

Similar to a beneficiary designation, if you have education savings accounts, or 529 plans, for children or grandchildren where you are the owner, it is equally important to make sure you have a "successor owner" designated. This will ensure the account is seamlessly managed in the event something happens to you, and that it does not unintentionally become part of your estate.

## 2019 CONTRIBUTIONS



**Mike Owens**  
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or transferred from your bank to your individual retirement account. The limit for additional "catch-up contributions" for those over age 50 remains unchanged for 2019.

### RETIREMENT CONTRIBUTION LIMITS

	2019	2018
IRA/Roth	\$6,000	\$5,500
Over 50 Catch-up	\$1,000	\$1,000
Simple IRA	\$13,000	\$12,500
Over 50 Catch-up	\$3,000	\$3,000
401(k)	\$19,000	\$18,500
Over 50 Catch-up	\$6,000	\$6,000

### ROTH IRA ELIGIBILITY

In addition to higher contribution limits, the income limits for Roth IRA eligibility are also increasing slightly.

Married Filing Jointly- \$193,000 (up from \$189,000 in 2018)

Single- \$122,000 (up from \$120,000 in 2018)

For those who exceed the income limitations for direct Roth contributions; there may be a way to funnel money into a Roth through non-deductible IRA contributions and Roth conversion. If this is your situation, talk to us about how this strategy might work for you.

### HEALTH SAVINGS PLAN CONTRIBUTIONS

2019 contribution limits are:

Individual - \$3,500

Family - \$7,000

Over 55 Catch-up (both individual and family) - \$1,000

To qualify for Health Savings Account contributions, the deductible on your health insurance plan must be at least \$1,350 for individual coverage and \$2,700 for family plans. Remember Health Savings Accounts have the double tax benefit of deductions for contributions and tax-free distributions for qualified medical expenses.

### 2019 CONTRIBUTION GUIDELINES

Good news for retirement savers- the IRS increased the annual contribution limits for most retirement plans for 2019. If your goal is to maximize contributions, check to make sure the appropriate amount is being deducted from your paycheck into your retirement plan



## DO YOU HAVE UNCLAIMED PROPERTY?

Have you ever moved, changed jobs, had financial accounts, or been owed money by an organization? Most of us can answer yes to this question. When we have changes in our life it can be difficult for businesses and organizations to find us, which can result in unclaimed property. In fact, 1 in 20 Minnesotans have at least \$100 in unclaimed property (MN Department of Commerce). If a

business or organization has your money but cannot track you down for an extended period of time, the funds are turned over to the state of last known residence.

To find out if you have unclaimed property or “missing money” you can search all states’ databases by visiting [www.missingmoney.com](http://www.missingmoney.com), and simply enter your name and a state you’ve lived in. Review the search results to identify

if any of the details match including your name, last known address and the reported agency owing you money. If you believe the details match then select “Yes I can Claim” and you will be directed to that state’s website to continue the filing process. After filing a claim, the state will verify your records, and if approved, you will receive a check for the claim amount.

<sup>1</sup> <https://mn.gov/commerce/consumers/your-money/find-missing-money/>

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## DISCLOSURES

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