

Social Security Disability and Medicaid Law Newsletter



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A FREE LEGAL UPDATE FOR ELDERLY AND OTHERS WHO SEEK ASSET PROTECTION ♦ APRIL 1, 2014 EDITION

BUYING LIFE INSURANCE WITH OPTION TO USE IT FOR LONG-TERM HEALTH CARE

You can use an existing or new life insurance policy to help pay for long-term health care services through the following options:

1. Combination (Life/Long-Term Care) Products
2. Accelerated Death Benefits (ADB)
3. Life settlements
4. Viatical settlements

Combination Products

Many consumers are reluctant to buy long-term care insurance because they fear that their investment will be wasted if they do not use it. Some insurance companies have attempted to solve this problem by combining life insurance with long-term healthcare insurance.

The idea is that policy benefits will always be paid, in one form or another. These products are relatively new.

The amount of the long-term care benefit is often expressed in terms of a percentage of the life insurance benefit. For example, a \$100,000 whole life policy might be limited to 50%, or \$50,000 in long term health care benefits.

Accelerated Death Benefits

This is a feature that allows you to receive a tax-free advance on your life insurance death benefit while you are still alive. Sometimes you must pay an extra premium to add this feature to your life insurance policy. Sometimes the insurance company includes it in the policy for little or no cost.

There are different types of accelerated death benefits. Each serves a different purpose. Depending on the type of policy you have, you may be able to receive a cash advance on your life insurance policy's death benefit if:

1. You are terminally ill
2. You have a life-threatening diagnosis, such as AIDS
3. You need long-term care services for an extended amount of time
4. You are permanently confined to a nursing home and incapable of performing Activities of Daily Living (ADL), such as bathing or dressing.

Good To Know

The amount of money you receive from these types of policies varies, but typically the accelerated benefit payment amount is capped at 50 percent of

the death benefit. Some policies, however, allow you to use the full amount of the death benefit.

For accelerated death benefits policies that cover long-term care services, the monthly benefit you can use for nursing home care is typically equal to two percent of the life insurance policy's face value. The amount available for home care (if it is included in the policy) is typically half that amount.

For example, if your life insurance policy's face value is \$200,000, then the monthly payout available to you for care in a nursing home would be \$4,000, but only \$2,000 for home care. Some policies may pay the same monthly amount for care, regardless of where you receive the care.

When you receive payments from this type policy while you are alive, the amount you receive is subtracted from the amount that will be paid to your beneficiaries when you die.

Key things to consider before taking advantage of an Accelerated Death Benefits policy include:

1. If your life insurance policy includes an Accelerated Death Benefits feature, you may be able to use your life insurance policy to help cover long-term care services.

So if you have a health condition that might exclude you from long-term care insurance eligibility, you can still obtain a long-term care insurance policy through the Accelerated Death Benefits feature on a life insurance policy.

2. Accelerated Death Benefits policy payouts for long-term care services are often more limited than the benefits you could receive from a typical long-term care insurance policy.

3. The face value of your life insurance policy may not be enough to allow Accelerated Death Benefits payments that are enough to cover your long-term care services needs. The benefit payments may be too low and the duration may be too short to cover your long-term care services expenses.

Life Settlements

Key things to consider before moving forward with a life settlement:

1. If you sell your life insurance policy, there may be little or no death benefit left for your heirs when you die
2. The process does not require any health screens; you may be in good or poor health
3. The proceeds of the sale may be taxed

Viatical Settlements

These plans allow you to sell your life insurance policy to a third party and use the money you receive to pay for long-term care. A viatical settlement is like a life settlement, but it is only possible if you are terminally ill.

Unlike the life settlement, money you receive from a viatical settlement is tax-free, if you have a life expectancy of two years or less or are chronically ill and the viatical company is licensed in the states in which it does business.

Key things to consider before using a viatical settlement:

1. You can only use the viatical settlement if you are terminally ill and have a life expectancy of two years or less
2. If you use the viatical settlement option, you do not have to satisfy the health requirements for long-term care insurance

The amount that you receive in cash from a viatical settlement is a percent of the death benefit on your life insurance policy. That percent varies based on your life expectancy. The lower your life expectancy, the more money you should receive in a settlement.

News You Can Use

2014 FLORIDA MEDICAID LIMITS

Gross Monthly Income Limit for Medicaid Applicant:	\$2,163.00
Personal Needs Allowance:	\$35.00
Asset Limit (Individual):	\$2,000.00
Asset Limit (Couple):	\$3,000.00
Medicare Part B Premium:	\$104.90
Community Spouse Resource Allowance:	\$117,240.00
Minimum Monthly Maintenance Income Allowance:	\$1,938.75
Maximum Monthly Maintenance Income Allowance:	\$2,931.00
Monthly Personal Needs Allowance:	\$35.00