ESTATE PLANNING, PROBATE, AND LONG-TERM CARE PLANNING

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WHAT IS ESTATE PLANNING?

• Estate Planning is the process of planning for death or incapacity through legal documents such as Wills, Durable Powers of Attorney, and Advanced Directives (Living Wills).
ESSENTIAL DOCUMENTS

• **Will** – Property transfer at death
• **Durable Powers of Attorney** – Allows for another person (Agent) to make medical and financial decisions for you when you are unable
  – No longer valid at death
• **Health Care Directive (Living Will)** – End of life document that allows you to instruct documents about final medical treatments (or lack thereof)
OTHER ESTATE PLANNING TOOLS

• POLSTs (Physician Order of Life-Sustaining Treatment) – bright green form that your doctor signs; applies to paramedics
• Community Property Agreements – allows married couples to avoid probate after first spouse passes; can result in Medicaid ineligibility
• Disposition of Remains – tells funeral home what you want done with your body when you pass away
• Guardianships – last resort, if you do not have a Durable Power of Attorney; court process
TRUSTS

• Two Main Categories:
  – Testamentary – Within a Will and only goes into effect at death
  – Nontestamentary – Stand-alone document that can go into effect before death
TESTAMENTARY TRUSTS

• **Special Needs Trust** – Can preserve public benefit eligibility of surviving spouse, especially regarding long-term care

• **Educational Trust** – Helps pay for education of children/grandchildren

• **Spendthrift Trust** – Keeps financially irresponsible child from spending inheritance all at once
NONTESTAMENTARY TRUSTS

• Revocable Living Trust – Helps avoid probate
• Irrevocable Trust – Assist with Medicaid eligibility IF done 5+ years in advance of needing Medicaid
WHAT IS PROBATE?

• Probate is the legal process of distributing a person’s assets and paying off debts after that person passes away.
WA PROBATE

• 4-6 month process (one of the shortest in the country)
• Very little court involvement
• Main ways to avoid probate:
  – Estate worth less than $100,000
  – Community Property Agreement
  – Revocable Living Trust
  – Have only assets not subject to probate
LONG-TERM CARE FACTS

- **Includes:**
  - Assisted Living
  - Nursing Home Care
  - Home Care
  - Home Health Care
- 70% of all adults will need LTC
- Average monthly cost: $6,000

- Monthly cost range: $1,500 - $14,000
- 1-4 year private pay requirement at most facilities

**Ways to pay:**
- Private pay
- Long-term care insurance
- Medicaid/COPES
- VA Pension/Aid & Attendance
- Reverse Mortgage
**MEDICARE VS. MEDICAID**

- **Medicare** – traditional-type health insurance for adults 65 and older
  - Covers very little nursing home care (about 30 days max)
- **Medicaid** – 2 types:
  - **1st type** – traditional insurance for low income individuals
  - **2nd type** – pays for nursing home and other long-term care, if applicant meets medical and strict financial requirements
MEDICAID BASICS

• **Medicaid**: a government program that pay for long-term care

• **2 types:**
  – Medicaid for nursing home care
  – COPES (Community Options Program Entry System) for assistance with Activities of Daily Living

• **5 year look-back period** – ANY GIFTING WITHIN 5 YEARS PRIOR TO APPLYING CAN RESULT IN INELIGIBILITY

• **Must meet medical and financial eligibility requirements**
  – 2 components of financial eligibility: Income and Resources
- **Medical eligibility:** Need medical care that long-term care facilities provide
  - **Financial eligibility:** Must meet both resource and income requirements
    - No greater than $2,000 in nonexempt resources.
    - **Single person:** All income, except about $60 must be used to pay for part of the services.
    - **Married couple:** Well-spouse may keep ~$56,000 in resources and unlimited income.
EXEMPT RESOURCES

• Resources not counted in $2,000 resource limit:
  – Home (worth less than $572,000)
  – Household goods & personal effects
  – Car (one car of unlimited value and used for transportation)
  – Life insurance with cash-surrender value (value if policy is canceled) of less than $1,500
  – Most burial plots and prepaid burial plans
  – Items used for self-support, especially durable medical equipment
VA BENEFITS

• Stipend to assist veterans and their spouses in paying for long-term care
  – Married vets: ~$2,100 per month
  – Single vets: ~$1,850 per month
  – Surviving spouse: ~$1,200 per month

• Eligibility:
  – Need assistance with at least 2 ADLs
  – Served at least 1 day during a wartime period
  – Not have been dishonorably discharged
  – Surviving spouse: no remarriage
VA BENEFITS

• **Eligibility, cont.:**
  – Served at least 1 day during a wartime period
    • WWI: 4/6/1917 – 11/11/1918
    • WWII: 12/7/1941 – 12/31/1946
    • Korea: 6/27/1950 – 1/31/1955
    • Persian Gulf: 8/2/1990 – TBD
  – Expenses greater than income
  – Can keep about $30,000 in assets, not including home
QUESTIONS?

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