

## Farm Management

# Covering long-term care costs

**W**HEN farmers consider their estate plans or succession plans, the top priority is almost always to keep the farm in the family. One of the most common concerns of farmers in achieving these goals is nursing home costs. No one wants to see their farm assets, particularly the land, be sold to pay for nursing home or long-term care



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costs. While there are no easy solutions to overcome this issue, it is important to

know what options are available.

Medicaid often comes up in the discussion regarding nursing home costs. Medicaid is a state and federal program that pays for the medical expenses of those who do not have the resources to pay their own medical bills. To qualify for Medicaid, a married couple can generally own no more than \$119,000 in assets,

except for a residence, car and personal belongings. Non-married people can only own assets up to \$1,500. Almost all farmers' assets exceed the minimum requirements, so they do not qualify.

It is possible to give all of your assets away to qualify for Medicaid. However, you cannot retain any control over the assets, like reserving rent on land. Additionally, there is a five-year look-back period on gifts. You are not eligible for Medicaid until five years after the gift is made. Lastly, if you give all of your assets away, what income will you live on? This is not typically a recommended strategy.

### Trust options

Another option is to transfer all of your assets to an irrevocable trust. These types of trusts cannot be changed, and you do not keep any control over the assets. You may be able to receive the income but have no ownership or control over the actual assets. Additionally, once the distribution plan is established to your heirs or beneficiaries, it can never be changed.

The five-year look-back period also applies to transferring assets into an irrevocable trust. In some situations irrevocable trusts are good strategies to protect assets, but most people do not want to give up the amount of control irrevocable trusts require.

Long-term care insurance can be an effective way to address nursing home costs. The insurance policy will pay some or all of the long-term care costs. The difficulty with this strategy can be obtaining the policy and/or paying for the policy. Long-term care policies can be difficult to get because not many insurance companies offer them. The policy premiums can be high as well. Anyone with long-term care cost concerns should at least make a phone call to their insurance agent or financial adviser to ask if they can be insured and what premiums may be.

### Self-insured

Lastly, another strategy to address long-term care costs is to be self-insured. Many farmers set aside cash or other assets that can be used if needed for nursing home costs. This can be any asset that is not critical to the farming operation. It is difficult to know exactly how much money to set aside for nursing home expenses, but figure about \$75,000 per year. The average nursing home stay is 2.2 years, so a reasonable amount to set aside would be \$200,000 — and more, if possible.

This has been a very general discussion of managing nursing home costs. Before taking any action, you should seek the advice of an attorney or other adviser with knowledge of these issues. Each situation is unique, and the right strategy for one person may not be the right strategy for another person.

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