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Protecting Seniors News letter - April 18, 2014

1 message

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With help, seniors can keep some of their assets in the family rather than lose their entire life savings to the costs of long term care.

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Protecting Seniors News

IRAs and 401Ks and the Risk of Long Term Care

My prior four newsletters have discussed how to withdraw money from your IRA (or 401K, or 403B, or MyRA, when it arrives, or any other tax-deferred account.) See ["IRAs and 401Ks are not for tax avoidance. They are for tax timing"](#) from March 20, 2014, ["IRAs and 401Ks – Withdrawing Money Too Slowly"](#) from March 27, 2014, [IRAs and 401Ks – Withdrawing Money Too Quickly](#) from April 4, 2014, and [IRA and 401k Withdrawal Strategy - Don't be Stupid about It](#) from April 11, 2014. (As I've done before, to protect my poor tired typing fingers, I will call them all IRAs, but the discussion will apply to 401Ks, 403Bs, and even MyRAs (assuming that they act like IRAs when the rules eventually get written,) and other tax deferred accounts, except perhaps Roth IRAs.) This week, I want to discuss why I, an elder law attorney, not a financial advisor, write (and worry) so much about IRAs.

LONG TERM CARE (the usual focus of elder law practice) is why I worry about IRAs.

As an elder law attorney, I help seniors (and sometimes non-seniors who have a disability) get long term care without losing their entire life savings. I sometimes describe my job as helping people avoid a complete "financial bleed out" from the costs of long term care. While I am preventing a financial bleed out, I also want to minimize losses of money to other expenses. I often call these other expenses "financial leaks."

One big financial leak is a big income tax payment triggered by a sudden withdrawal from an IRA. That big tax leak is why I've spent the last several weeks writing about IRAs.

When someone needs long term care, their cost of living shoots through the roof. In northeast Ohio where I live, the room and board cost (just the room and board) for a nursing home is usually between \$6,500 and \$9,500 per month. That's not counting prescriptions, doctor visits, incontinence supplies, and other non-room and board costs. Costs for in-home care or for assisted living are not as high as for a nursing home, but in-home care and assisted living costs are still usually much higher than the patient's/resident's monthly income. These long term care costs eat away (in small bites or in big mouthfuls) at a senior's savings.

Many people use Medicaid (which has a different name in some states, like Medi-Cal or MaineCare) or VA Pension (more commonly known as Aid and Attendance) to help pay for long term care. Both of these programs are available only to people with few assets. (For Medicaid, it's almost no assets.) In most states, an IRA is counted as part of the assets. (I understand that Florida and California do not include IRAs in the asset count. I suspect that a few other states also exempt IRAs and other retirement savings accounts. Ohio, where I work, counts IRAs as assets.)

When the IRA is counted as an asset, it must be depleted or reduced to help the senior qualify for Medicaid or VA Pension. (An elder law attorney can help many seniors protect some of their assets, including contents of the IRA, but rarely can the money stay in the IRA and be protected. It must usually come out.) So, either with a spend-down to pay for long term care or an elder law attorney's asset protection plan to shield some of the senior's money, the IRA must usually be depleted or reduced quickly. That means a big tax hit in one year (similar to what I describe in [IRAs and 401Ks – Withdrawing Money Too Quickly](#) from April 4.) That's a big financial leak that I try to help clients avoid.

And don't try to be too smart about it. Don't expect that you can manage the IRA withdrawals to spread out the taxes over several years. You won't be able to get Medicaid. The contents of the IRA will make you too "rich" to get Medicaid.

(Spreading out withdrawals over years might work for VA Pension because the asset amount that VA applicants can keep is much higher than Medicaid allows. VA Pension rarely provides enough money for a nursing home stay, though. It's great for assisted living and for in-home care, but you'll probably want Medicaid for a nursing home.)

You also probably won't want to turn the IRA contents into an annuity and take it as income over a long period of time (unless you've got significant assets outside the IRA that you are trying to protect.) In most states (including Ohio,) your income must be paid toward your care before Medicaid will cover you. So, that monthly annuity

payment that you set up inside the IRA to avoid paying taxes will be lost to your long term care costs. You're paying the nursing home rather than the tax man, but you're still losing the money. It's usually better to take the tax hit in year one and let an elder law attorney help you shelter what's left after taxes.

In short, money in an IRA is a ticking time bomb as you get older past retirement. The costs of long term care are bad enough. If, because of poor planning or bad luck, you still have an IRA when you need long term care, the tax payments will make the financial loss that much bigger.

Social Media Posts from the past week

4-17-2014 Protecting #AgingParents against #Fraud #SeniorCare <http://ow.ly/vqMVO>
<http://www.ascendsgoldenguide.com/specialized-services/protecting-seniors-scammers/>

4-16-2014 #WorkLifeBalance for a #FamilyCaregiver #SeniorCare <http://ow.ly/vqK1M>
http://pubs.aarp.org/aarpbulletin/201311_DC?folio=14#article_id=352647

4-15-2014 Hybrid policy - #LifeInsurance and #LongTermCareInsurance
#SeniorCare <http://ow.ly/uR3B1>
<http://www.skloff.com/combination-life-long-term-care-insurance-lifetime-benefits-long-term-care-university-081513/>

4-14-2014 Talking with #AgingParents about #AssistedLiving and the #NursingHome
#SeniorCare <http://ow.ly/vaEYn>
<http://rankommend.com/businesses/342405-summit-of-uptown/posts/1126-how-to-talk-to-senior-parents-about-assisted-living>

4-13-2014 After #Divorce, rework #EstatePlanning <http://ow.ly/vqLNT>
<http://dankazanas.tumblr.com/post/68638195992/when-experiencing-a-divorce-reevaluate-your-estate>

4-12-2014 Helping #Alzheimer's sufferers remember their loved ones
#SeniorCare <http://ow.ly/vqFzY>
http://msnvideo.msn.com/?channelindex=8&from=en-us_msnhp#/video/8971fe43-e05e-4927-2871-407d4c101d22

4-11-2014 Don't be Stupid about your #IRA and #401k Withdrawals!
#SeniorCare <http://wp.me/p47F09-3Y>
<http://www.protectingseniorsnews.com/ira-and-401k-withdrawal-strategy-dont-be>

[stupid-about-it/](#)

Older social media posts can be found in the [social media post archive](#) on the firm's website, [ProtectingSeniors.com](#).

The Koewler Law Firm News

5-1-2014 to 5-31-2014 Jim Koewler will appear on "Your Health and Wellness" on WCTV in Wadsworth, Ohio discussing Managing Money and Preventing Fraud for Seniors. The show will appear several times throughout the month.

5-7-2014 Jim Koewler will speak to the Richfield Chamber of Commerce about the Affordable Care Act and its requirements as well as opportunities for employers

5-14-2014 Jim Koewler will present the continuing education program "Helping Patients navigate Medicaid, Medicare, and Healthcare Changes" at the Cleveland Clinic. Continuing Education credit is available to Certified Case Manager, social workers, counselors, and nurses.

5-21-2014 Jim Koewler will present the continuing education program "Preventing Senior Fraud" at the Blue Canyon Kitchen & Tavern in Twinsburg. Continuing Education credit is available for Certified Case Manager, social workers, counselors, and nurses.

8-14-2014 Jim Koewler will present the continuing education program "Legal Issues for People with Dementia" at Southwest General Health Center in Middleburg Heights. Continuing Education credit is available to social workers, counselors, and nurses.

9-26-2014 Jim Koewler will present "Preventing Senior Fraud" at the meeting of Eldercare Professionals of Ohio at Heart Home Care in Euclid, Ohio.

Older items of firm news can be found in the [news archive](#) on the firm's website, [ProtectingSeniors.com](#).

Jim's available presentations

- Preventing Senior Fraud (Continuing Education credit available for social workers, counselors, nurses, and Certified Case Managers)
- Navigating Medicaid, Medicare, and the Affordable Care Act (Continuing Education credit available for social workers, counselors, nurses, and Certified Case Managers)
- My Care Ohio and Medicare/Medicaid "Dual Eligibles" (Continuing Education credit available for social workers, counselors, nurses, and seeking approval for Certified Case Managers)
- Government Benefits that can help Pay for Long Term Care (Continuing Education credit available for social workers, counselors, nurses, and seeking approval for Certified Case Managers)
- Legal Issues for People with Dementia (Continuing Education credit available for social workers, counselors, and nurses)
- Protect your Life Savings from the Costs of Long Term Care (Continuing Education credit

- available for social workers, counselors, and nurses)
- Veterans Benefits for Long Term Care (Continuing Education credit available for social workers, counselors, and nurses)
 - Advance Directives – Powers of Attorney, Living Wills, etc. (Continuing Education credit available for social workers, counselors, and nurses)
 - Buying Long Term Care Insurance Wisely (Continuing Education credit available for social workers, counselors, and nurses)
 - Planning Ahead to Protect against Long Term Care Costs (Continuing Education credit available for social workers, counselors, and nurses)
 - Protecting your Money when you need Long Term Care and Essential Estate Planning Considerations (with free living wills for the audience)
 - Myths about Long Term Care
 - How to help your Parents Manage their Affairs

Upcoming meetings

- 4-21-2014 Medina County Senior Services Network's Education Committee, Tres Potrillos in Medina, 11:30 a.m.
- 4-22-2014 Summit County Senior Services Network, Anthony Kucko Kertesz Funeral Home, 8:00 a.m.
- 4-22-2014 Professional Networking Group, Solon Senior Center, 8:30 a.m.
- 4-24-2014 Portage Senior Services Network, Coleman Adult Day Services, 8:30 a.m.
- 4-24-2014 Parma Hospital Senior Resource Network, North Park Retirement Community, 8:30 a.m.
- 4-24-2014 The Association of Specialists in Aging, Mentor Senior Center, 8:30 a.m.
- 4-25-2014 Eldercare Professionals of Ohio, The Village at Marymount, 9:00 a.m.
- 5-6-2014 Aging Services Network of Euclid, Euclid Hospital's Waltz Auditorium, 8:30 a.m.
- 5-7-2014 Stark Senior Services Network, Canton Baptist Temple, 9:00 a.m.
- 5-7-2014 Richfield Chamber of Commerce luncheon, The Taverne of Richfield, 11:45 a.m.
- 5-7-2014 Medina County Senior Services Network's Client Services Committee, Sully's 3:00 p.m.
- 5-8-2014 Lorain County Senior Services Network, Lake Pointe, 8:30 a.m.
- 5-9-2014 Eldercare Professionals of Ohio, Berea Towers, 9:00 a.m.
- 5-14-2014 Medina County Senior Services Network, Liberty Residence, 8:00 a.m.
- 5-14-2014 Summit Senior Sales, Administrators and Marketers Association, Falls Village, 2:30 p.m.

Newsletter Archive

Past issues of this newsletter can be found in the [newsletter archive](#) on the firm's blog site, ProtectingSeniors.com.

Contact Jim Koewler

If you'd like to contact Jim, this newsletter has a dedicated [contact page](#) on the firm's blog site,

ProtectingSeniorsNews.com.

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