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Seniors and Special Needs News - August 1, 2014

1 message

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With help, seniors and people with special needs can keep some of their assets in the family rather than lose their entire life savings to the costs of long term care. They can use these protected assets to enhance their quality of life beyond what long term care alone will provide.

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Seniors and Special Needs News

Tax-qualified or Non-tax-qualified Long Term Care Insurance

Today's newsletter continues the series about buying long term care insurance as a strategy for planning ahead for long term care. My May 23, 2014 newsletter discussed whether to buy long term care insurance at all; my May 30, 2014 newsletter discussed looking for a stable, proven insurer; my June 6, 2014 newsletter described how to identify a proven, stable Long Term Care insurance company; my June 13, 2014 newsletter discussed the importance of protection against inflation; my June 20, 2014 newsletter suggested insuring for a four year or a five year stay in a nursing home; and my June 27, 2014 newsletter suggested a \$200 or \$250 daily rate to choose when purchasing long term care insurance. My newsletter of July 11, 2014 advised to look carefully at the list of Activities of Daily Living that can trigger coverage from the long term care insurance policy. My newsletter of July 18, 2014 described the differences between a "period of time" kind of coverage and a "pile of money" kind of coverage. My newsletter of July 25, 2014 advised to make sure that the long term care insurance includes coverage for cognitive impairment. The introductory newsletter in the series on planning ahead for long term care costs appeared on May 16, 2014.

Today's newsletter will discuss **whether to buy a tax-qualified long term care insurance policy or a non-tax-qualified long term care insurance policy.**

A tax-qualified policy has, as the label implies, certain tax advantages over non-tax-

qualified policies. Premiums, or a portion of the premiums, for a tax-qualified policy can be deducted from the taxes of the policy holder if the taxpayer's medical expenses (including the deductible amount of the long term care insurance premium) exceed the threshold amount for tax-deductibility. (Tax deductibility of health care costs may be different now that the Affordable Care Act has gone into effect.) The amount of premium that can be counted toward medical expenses goes up with age.

For the self-employed, however, the premiums for a long term care policy may be deductible without regard to the type of policy. In fact, the premiums may be deductible for the self-employed and his or her spouse as well. (This is more a tax planning issue than a long term care insurance issue. Please consult your tax advisor for details and proper planning.)

Likewise, the benefits paid out from a tax-qualified policy are not countable as income. It is not clear, however, that the benefits from a non-tax-qualified policy are taxable. The law that created tax-qualified policies (HIPAA) states that tax-qualified policy benefits are not taxable as income, but the law is silent about non-tax-qualified policies.

Whether policy benefits are counted as income may not matter, however. If you buy long term care insurance to cover the "look back" period before qualifying for Medicaid, as suggested in my newsletter of June 20, 2014, your giving assets to your friends and family (to protect those assets from long term care costs) should leave you with income (including the insurance proceeds) that is low enough not to worry about taxation (especially after deducting medical costs.)

There is a significant difference between the triggers for tax-qualified and non-tax-qualified policies. (The policy trigger is the event or combination of events that causes the policy to start paying benefits.)

Tax-qualified policies must pay when the policy holder cannot perform two or more Activities of Daily Living. Activities of Daily Living include going to the bathroom, bathing, getting in and out of bed or a chair, and other similar actions. (Activities of Daily Living are discussed in my newsletter of July 11, 2014.) Tax-qualified policies must also pay if the policy holder has a cognitive impairment (such as dementia) that endangers the policy holder or others. (Cognitive impairment coverage is discussed in my newsletter of July 25, 2014.)

Non-tax-qualified policies may start paying benefits when the policy holder is unable to perform only one Activity of Daily Living or has a cognitive impairment that endangers the policy holder or others. In addition, the Activities of Daily Living list for a non-tax-qualified policy may include walking, which is not generally included on tax-qualified policies. In fact, some non-tax-qualified policies are triggered when the policy holder's doctor determines that long-term care is needed (and do not set out any limits on how

the doctor makes such a determination.)

(Note: As mentioned in my newsletter of July 11, 2014, make sure that bathing is one of the listed Activities of Daily Living.)

Social Media Posts from the past week

7-31-2014 Resources for people with #DevelopmentalDisabilities and their families <http://aaidd.org/>

7-30-2014 Paying a family member for #InHomeCare #SeniorCare <http://ow.ly/zBWFd>

7-29-2014 Costs and qualification for #LongTermCareInsurance can vary greatly <http://ow.ly/zC2oP>

7-28-2014 Monday is deadline for 1st people in #MyCareOhio to change insurers and (maybe) optout of Medicare part of program <http://wp.me/p47F09-5l>

7-28-2014 #AgingParents may not understand when they can't stay home anymore #SeniorCare <http://ow.ly/zBZ2i>

7-27-2014 Monday is deadline for 1st people in #MyCareOhio to change insurers and (maybe) optout of Medicare part of program <http://wp.me/p47F09-5l>

7-27-2014 #PreventiveHealthCare important for #AssistedLiving residents #SeniorCare <http://ow.ly/zBXxb>

7-26-2014 Monday is deadline for 1st people in #MyCareOhio to change insurers and (maybe) optout of Medicare part of program <http://wp.me/p47F09-5l>

7-26-2014 #VA Pension (aka #AidAndAttendance) for #HomeCare - a short summary <http://ow.ly/zBKzU>

7-25-2014 Monday is deadline for 1st people in #MyCareOhio to change insurers and (maybe) optout of Medicare part of program <http://wp.me/p47F09-5l>

7-25-2014 Always look for #CognitiveImpairment coverage when considering #LongTermCareInsurance <http://wp.me/p47F09-5X>

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

7-29-2014 Jim Koewler presented the continuing education program "Helping Medicare/Medicaid 'dual eligible' senior clients through 'My Care Ohio' enrollment" at Elyria Medical Center. Continuing Education credit was available for 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.

8-27-2014 Jim Koewler will present the continuing education program "Helping Medicare/Medicaid 'dual eligible' senior clients through 'My Care Ohio' enrollment" at the Women's City Club of Akron. Continuing Education credit is available for social workers, counselors, and nurses.

9-3-2014 Jim Koewler will present the continuing education programs "Legal Issues for People with Dementia" and "Helping Medicare/Medicaid 'dual eligible' senior clients through 'My Care Ohio' enrollment" at Shady Hollow Country Club in Massillon. Continuing Education credit is available for 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

- 8-5-2014 Aging Services Network of Euclid, Euclid Hospital's Waltz Auditorium, 8:30 a.m.
- 8-6-2014 Stark Senior Services Network, Canton Baptist Temple, 9:00 a.m.
- 8-6-2014 Richfield Chamber of Commerce luncheon, Richfield Days Inn and Suites, 11:45 a.m.
- 8-6-2014 Medina County Senior Services Network's Client Services Committee, Sully's 3:00 p.m.
- 8-8-2014 Eldercare Professionals of Ohio, Westlake Village, 9:00 a.m.
- 8-13-2014 Medina County Senior Services Network, Emeritus at Camelot Place, 8:00 a.m.
- 8-13-2014 Summit Senior Sales, Administrators and Marketers Association, Stow Glen Retirement Community, 2:30 p.m.
- 8-14-2014 Lorain County Senior Services Network, Life Care Center of Elyria, 8:30 a.m.
- 8-18-2014 Medina County Senior Services Network's Education Committee, Tres Potrillos in Medina, 11:30 a.m.
- 8-19-2014 UH Bedford Senior Network, Solon Pointe, 8:30 a.m.
- 8-20-2014 PASS, Geauga County Department on Aging, 8:30 a.m.
- 8-22-2014 Eldercare Professionals of Ohio, Hamlet Village, 9:00 a.m.
- 8-26-2014 Summit County Senior Services Network, Anthony Kucko Kertesz Funeral Home, 8:00 a.m.
- 8-26-2014 Professional Networking Group's After Hours meeting, 4:00 p.m.
- 8-28-2014 Portage Senior Services Network, Coleman Adult Day Services, 8:30 a.m.
- 8-28-2014 The Association of Specialists in Aging, Mentor Senior Center, 8:30 a.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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