

# Robin & Peter on LIFE SETTLEMENTS



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## Medicaid Life Settlements

If one of your elderly clients was about to enter a nursing home, probably the last piece of advice you'd give them would be to surrender their life insurance. Yet, as some of you know, the Medicaid eligibility rules of many states require them to do just that - surrender their policies just before the time they would most likely pay off. The big winner under this rule is neither the insured nor the state, but rather the insurance companies that will not have to pay a death claim. To avoid this absurd result, a number of states (FL, KY, LA, ME, and TX) have considered or are considering Medicaid Life Settlements.

Although the laws differ in some details, here's a brief summary of how the proposals work. Rather than surrendering a policy, an insured, who is attempting to become eligible for Medicaid, may enter into a life settlement and designate the proceeds to be used for their long term care. As an incentive to enter into the transaction, the insured can designate a beneficiary for the lesser of \$5,000 or 5% of the face amount. In addition, any unused settlement proceeds would also go to the insured's beneficiary.

These proposals create a win-win situation. The states would get some relief from Medicaid long term care outlays and the insured's beneficiaries would receive some remaining death benefit. At a time when many states are hurting financially, these laws would offer some badly needed help. This idea is just another example of how life settlements are good for consumers.

For most of your clients, the thought of a life settlement at the time they need long term care should be a last resort. It could be, however, one more opportunity to find money at a time when it is really needed.

More common situations that we encounter where a life settlement could benefit your clients are a reduced estate planning need, the sale, termination, or retirement from a business, financial difficulties or the death of the intended beneficiary. If you find a client in any of these situations, be sure to give us a call as it pays to investigate the possibility of a life settlement. Remember, it can't hurt to try - it can only hurt not to.

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