

# ESTATE PLANNING NOTES

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## Long-Term Care Insurance

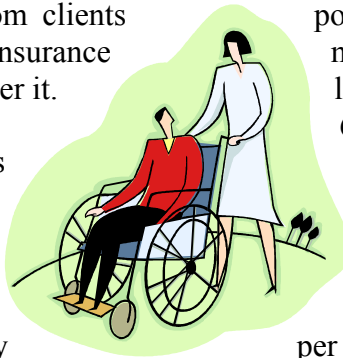
We receive many inquiries from clients asking about long-term care insurance ("LTCI"). We encourage you to consider it.

**What is LTCI?** LTCI is insurance you purchase now to pay for long-term care services you or your spouse might need in the future. Long-term care includes medical and social service for those with disability or chronic care needs. Often the determination as to whether you need long-term care centers on whether you are unable to do one of the following on your own: walk, dress, bathe, eat. Long-term care may be brief or continue for years.

**What about Medicare?** Medicare, the federal health insurance program for people 65 or older, does not cover long-term care. If you enter a nursing home within 30 days after having been hospitalized at least 3 days for the same illness, Medicare will cover 100% of only the first 20 days at the nursing home. Medicare then will pay only part of the next 21-100 days of skilled care, with your paying the first \$124 per day. After day 100, Medicare pays nothing for your care.

**What about Medicaid?** Medicaid is a federal and state Social Services program designed to pay for the care of the poor. To qualify for Medicaid, the total assets of an individual may not exceed \$1,500.

**Are you likely to need long-term care?** Several reputable surveys have shown that 1 out of 2 women will need long-term care at some



point in their lives, compared to 1 out of 3 men. The longer we live, the more likely care will be required. After age 65, we have a 40% lifetime chance of entering a nursing home.

**The cost?** Right now, the average rate for a private room in a nursing home in Indianapolis is \$228 per day. That equals \$166,440 for the average nursing home for 2 years. You pay extra for special care and Alzheimer's units.

If you are like most people, you prefer to stay at home. However, full-time home health care can cost more than twice as much as nursing home care. The average hourly rate for home health care is \$38.50 for a Licensed Practical Nurse and \$17.50 for an aide.

**Major causes of LTCI claims.** The major causes of LTCI claims are:

Cause	Insurance Dollars
1. Alzheimer's Disease or Dementia	31%
2. Circulatory Disease/ Hypertension	16%
3. Parkinson's/nervous system conditions	14%
4. Strokes	9%
5. Broken hips/ Osteoporosis-related injuries	9%
6. All other causes (grouped)	21%

Continued on Page 2

**What does LTCI include?** A good LTCI policy will provide the following:

- Fixed Premium rates;
- Discount rates for spouse’s insurance;
- Inflation protection in coverage; and
- Short elimination period before insurance coverage kicks in.

**Tax Break.** LTCI premiums, just like Medicaid expenses, qualify for tax deductions. Individuals are subject to the 7.5% adjusted gross income floor. For 2007, the amount of LTCI premiums that count for deductions is:

Your age in 2007	Allowable Expense
40 or younger	\$ 290
41-50	\$ 550
51-60	\$1,110
61-70	\$2,950
71 and older	\$3,680

**Indiana LTCI.** Indiana has established a LTCI partnership with private insurance companies. LTCI partnership policies can provide significant advantages to Indiana residents.

Partnership policies offer inflation protection, which guarantees that care benefits will increase by 5% annually to keep up with the rising costs of care. They also offer “Medicaid Asset Protection,” which guarantees that the policyholder will receive asset protection from Medicaid eligibility spend down and from Medicaid estate recovery in an amount that is at least equal to the benefits used. So, you will not have to own only \$1,500 to qualify for Medicaid. Finally, 100% of premiums paid for partnership policies may be taken as a deduction on the policyholder’s Indiana tax return.

To identify a partnership policy, look for the following language:

**THIS POLICY QUALIFIES UNDER THE INDIANA LONG TERM CARE INSURANCE PROGRAM FOR MEDICAID ASSET PROTECTION. THIS POLICY MAY PROVIDE BENEFITS IN EXCESS OF ASSET PROTECTION PROVIDED IN TERM INSURANCE PROGRAM.**

If you would like more information on LTCI or the name of a reputable LTCI agent, please give us a call.

**End-of-Life Help**

Caring Connections is a program of the National Hospice and Palliative Care Organization. It provides free information and resources for coordinating end-of life care, such as:

- Options for end-of-life treatments/interventions
- How to assure your wishes are honored
- Tips on voicing your decisions to family and friends

Contact Caring Connections at 800-658-8898 or [www.caringinfo.org](http://www.caringinfo.org)



## Preparing For The Loss of a Loved One

Someday, someone you love will die. Having as many details as possible prearranged will ease stress and allow you to devote yourself to the emotional needs of your family. The immediate considerations following the death of a family member will include (1) final care of the body, and (2) finalizing the financial affairs of the deceased.

**(1) Final Care of the Body.** In preparation for death, consider discussing in advance the following questions:

- Are organ donations important? (If yes, these must be done immediately after death).
- Do you want the body embalmed?
- Will there be a burial, cremation or entombment in a mausoleum?
- What price range will you prefer for final arrangements? (Most funerals average \$5,000 - \$6,000).
- Should the casket be open or closed?
- Will the service be formal or graveside?
- Who will speak at the service?
- What clothing will the deceased wear for burial?
- Do you prefer flowers or charitable donations?
- Who will write the obituary and where will you want it published?
- Who will contact family and close friends?
- Will there be a post-service gathering?

Determining the answers to these kinds of questions and planning ahead will ease much of the immediate stress following the death.

**(2) Finalizing Financial Affairs.** Soon after the death, the following financial matters must be faced:

- Ask for at least 10 death certificates. (Funeral homes obtain these for you).
- Contact the Social Security Administration to discontinue benefits and obtain any benefits to which survivors are entitled.
- Notify the decedent's insurance companies.
- Contact your lawyer to determine if an estate must be opened for the decedent. (The attorney will then assist in contacting financial

institutions, insurance companies, creditors, etc.).

- Notify the decedent's employer.
- Submit outstanding medical claims to insurers.
- Determine when taxes are due and file tax returns.
- Obtain minimum required distributions from IRA's for the year of death.

Finalizing financial affairs for the decedent can be difficult when combined with the emotions surrounding the loss. Accept help from your lawyer and close friends.



## New Tax Benefits to 529 Claims

Beginning January 1, 2007, Indiana residents receive a 20% tax credit, up to \$1,000 per year, on their contributions to an Indiana 529 college account. Parents, grandparents, aunts and uncles can contribute. If you contribute \$5,000 to a 529 Plan this year, you receive a \$1,000 tax credit. That means, your state income tax is reduced by \$1,000. Likewise, your tax credit is 20% of anything less than \$5,000, also.

## IRA Rollover to Health Savings Account

If you have a Health Savings Account ("HSA"), you now may make a one-time rollover from your IRA into your HSA of your maximum annual HSA payin. The maximum allowable payin under a family HSA is \$5,650. The maximum for a single person is \$2,850. So, if you need money to pay medical bills, making the payment from the HSA with IRA rollover funds saves you income tax and a 10% penalty on early IRA payouts.

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If you have any questions or comments about any of the articles in this issue of EPN, or have any interest in a particular topic you would like us to cover, please let us hear from you.

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