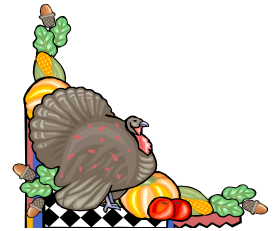




Mesmer & Deleault, PLLC
 41 Brook Street, Manchester, NH 03104
 Seacoast Office: One New Hampshire Ave., Suite 125
 Portsmouth, NH 03801

Happy Thanksgiving!



“Tip of the Month”

How Life Insurance May Affect Your Medicaid Eligibility

Medicaid eligibility in New Hampshire requires the applicant to have no more than \$2,500 in countable assets. The rules for calculating assets can be complex as not all assets are “countable” depending on the nature of the asset.

A life insurance policy, for example, may or may not be counted for Medicaid eligibility depending on its type and value. The two primary types of life insurance are “term life” or “whole life,” though there can be some variations in the spectrum

Term life insurance, which provides a guaranteed death benefit for a specific period of time, does not have an accumulated cash value and, therefore, is not a countable asset.

Whole life insurance, however, often generates an accumulating cash value that the policy holder can access, and which may be counted as an asset depending on the face and cash values of the policy.

In New Hampshire, when a whole life insurance policy has a face value of more than \$1,500, the policy’s cash surrender value becomes a countable asset that may affect Medicaid eligibility.

For example, if a whole life policy has a death benefit of \$2,000 and a cash surrender value of \$500, the \$500 cash surrender value will be considered a countable asset because the death benefit (face value) exceeds the \$1,500 limit.

If your whole life insurance policy will disqualify you from Medicaid coverage, you are not without options. Some of the strategies you could employ include:

- Cashing out the policy and spending down the cash until the asset limit is reached.
- Taking a loan against the policy, thereby keeping the policy effective while lowering its cash value and face value.
- Transferring the policy to a non-applicant spouse or a special needs trust. If transferred a spouse, the cash value of the policy will then count towards the non-applicant spouse’s resource allowance.
- Transferring the policy to a funeral home to pay for a non-cancellable burial plan. Such burial plans are exempt from Medicaid’s asset limit.
- Selling the policy and spending down the purchase price until the Medicaid asset limit is reached. Because Medicaid only looks to the owner of the policy, if sold to a friend or family member, as long as the premiums are paid, the policy will remain in effect and the insured and beneficiaries can remain the same, if the buyer so chooses.

If you or someone you know needs assistance with Medicaid planning and coverage or other estate planning matters, contact the attorneys at Mesmer & Deleault at [\(603\) 668-1971](tel:6036681971) or by email at mailbox@biz-patlaw.com.

Frank B. Mesmer, Jr.
 Robert R. Deleault



(603) 668-1971

Fax (603) 622-1445

E-mail: mailbox@biz-patlaw.com

Website: www.biz-patlaw.com