Deficit Reduction Act Makes Long Term Care Planning a Must for Small Business Owners

KIRKLAND, Wash. — Feb. 15 (SEND2PRESS NEWSWIRE) — In February 2007, "President Bush signed into law a significant piece of legislation, the Deficit Reduction Act," says Todd Grove, Maine-based Partner of LTC Financial Partners LLC, the nation's most experienced long term care insurance agency. "This one act is causing the majority of small business owners to seriously evaluate the financial risks posed by an extended illness — to themselves, their families, their assets and their companies."

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Grove summarizes the key provisions of the Deficit Reduction Act (DRA) and the impact it is having on business owners. The DRA —

* Extends the look-back period for all asset transfers from three to five years.

The look-back period refers to limitations imposed by Medicaid on a person's ability to "impoverish" him or herself by giving away assets to family members in order to qualify for long term care benefits. A longer period makes it more difficult for Medicaid planning attorneys to transfer funds out of an individual’s estate to qualify the person for welfare.

* Changes the start of the penalty period to the date of eligibility, not the date of transfer.

“This is a clear indication of how the loopholes on asset transfers are being closed,” says Grove.

* Makes ineligible for Medicaid any individual with home equity above $500,000 (a limit that states can raise as high as $750,000).

Under previous law, the value of an individual’s home was not included when determining eligibility for Medicaid. The DRA makes individuals with more than $500,000 in home equity ineligible for nursing home benefits; states will be able to raise that limit to $750,000. (The DRA allows exceptions for hardships or when a dependent lives in the house with the individual.)

* Requires Medicaid applications with annuities to name the state as remainder beneficiary.

“No longer,” says Grove, “can annuities be used to hide assets from state or federal coffers.”

What’s the bottom line? “Business owners can no longer depend on government for their long term care needs,” says Grove. “They must take responsibility themselves. Estate planning must now include long term care planning at its core. Otherwise your assets and your business are in jeopardy.” He points out that two thirds of those needing long care are bankrupted by the expense.

“Long term care insurance has become the estate planning tool of choice for Americans with assets to protect,” Grove says. “And the good news is: business owners may qualify for significant state and/or federal tax deductions.”

Information is available from Grove’s web site, www.ltcfp.us/toddgrove or 800-314-9080 as well as from the headquarters site, www.ltcfp.us.

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