SMART PLANNER

Useful Tips for a Better Tomorrow Winter 2016

Keep or Toss? Keeping Your Records Straight Pays Off

It's the time of year to clear your files of 2015 documents and begin new ones for 2016. But which papers should you keep and which should you toss?

Below are some tips to help you get organized. Consumer Reports recommends that you divide all of your records into four categories:

❶ Papers you need to keep for a calendar year or less

Bank Records – reconcile receipts monthly; keep statements needed to prove tax deductions with tax records; shred the rest (If you're planning to apply for Medicaid, you'll need five years of statements)

Credit Card Bills – reconcile receipts monthly; keep statements needed to prove tax deductions with tax records; shred the rest

Current-year Tax Records – start the year with a file for tax-related documents and save yourself the headache of tracking them down at tax time

Insurance Policies – when you get your new policies each year, shred the old ones

Investment Statements – keep the latest ones and shred the rest; save the annual statements until you sell the investments

Pay Stubs – keep a year's worth and reconcile them with your W-2, then shred

Receipts – shred once you've reconciled them to statements; keep if they apply to items in Category 2 below, or if you need them for business deductions

❷ Papers that can be destroyed when you no longer own the items they cover

- Household furnishings paperwork
- Investment purchase confirmations
- Loan documents
- Savings bonds
- Vehicle records

❸ Tax records

In most cases, save your tax returns for *at least* 3 years. There may be reasons that you need to keep them longer — discuss this with your accountant.

(Continued on page 2)

GOOD TO KNOW

How much should you have in an emergency savings fund?

There is now a calculator by Hello-Wallet that will determine an amount you should save for emergencies and job loss. Go to www.hellowallet.com/emergency-savings and answer some basic questions about such factors as home and car ownership and health care benefits.

"You are never too old to set another goal or to dream a new dream."

– C.S. Lewis

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It's Time. Plan Today for Your Tomorrow.

DON'T LET YOUR PARENTS' MONEY RUN OUT
Key Ways to Protect Seniors' Assets

As your parents age, their ability to take care of themselves will inevitably deteriorate over time. The changes may seem drastic, especially if you don't see them often. How can you help them make their savings last and get the care they need where they want it – in their own home? A good plan with the help of an estate planning and elder law attorney can make all the difference.

Fortunately, there is time to plan. Here's their situation:

- They have some savings
- They paid off the mortgage on the family home years ago

You may be wondering if there are ways to both provide for Mom's care – and eventually Dad's – and protect their assets. The good news is there are solutions.

Does this sound familiar?

There's no place like home for the holidays. But now that the dishes are put away after the holiday festivities, you begin to notice that Mom and Dad's house is a little more chaotic than you remember.

You check in on them often by phone, but living several hours away from their home in Connecticut, you don't have much time for visits, except around the holidays.

Now, it's pretty obvious that things are going downhill. Dad's fine. Mom – the rock of the family – says she's fine, too, but she has had a few falls recently and is having trouble getting things done around the house. Her personal care is noticeably lacking, a big change for someone who always took pride in her appearance. It's clear to you that they could use some help, so you decide to speak up.

At first, they deny that anything is wrong and accuse you of exaggerating. When you push a little harder, they admit that things are getting more difficult and finally, they tearfully confess that their biggest fear is that Mom will end up in a nursing home. You would hate to see that happen, too. You've heard that there may be alternatives, and promise to do everything you can to help Mom stay home.

Some key things you should know

- The Connecticut Home Care Program for Elders, a program that supports home and community-based services.
- Medicaid allows a healthy spouse, Dad in this case, to protect 50% of the couple's joint assets, up to $119,220 in 2015.
- There are no restrictions on asset transfers from one spouse to another.
- Their home, which they own jointly, can be transferred to Dad, or to you or your siblings. This protects it from recovery from Mom's estate, or if she needed to enter a nursing home.

Many of the regulations related to asset protection are complex, and your best bet is to consult with us as Medicaid rules vary by state. You don't want to discover the hard way that you overlooked critical aspects of planning thereby jeopardizing your chances for Medicaid eligibility.

A new plan in the New Year can help to preserve your parents' savings so they can get the care they need. It will also protect their quality of life and give you peace of mind. For the holidays – or any day – you can't beat home sweet home. ■

Keep or Toss? *(continued from front page)*

❹ Papers to keep indefinitely

Defined Benefit Plan Documents – keep these for both current and former employers.

Estate Planning Documents – Wills, trusts, powers of attorney, advance directives.

Life Insurance Policies – except term, which you should keep until the term is over, then shred.

Safe Deposit Box Inventory – location, keys, a list of what's in it.

Here are some of the important documents you should keep in a safe deposit box:

- Birth and death certificates
- Estate planning documents
- Life insurance policies
- Loan documents (until you no longer own the item)
- Marriage licenses and divorce decrees
- Social Security cards
- Titles for vehicles you currently own

Get started now – it will feel wonderful to start the New Year with all your paperwork organized and up-to-date. ■

What do the New Social Security Rules Mean for You?

President Obama recently signed the Bipartisan Budget Act of 2015. The Act included an amendment to the budget that will close "unintended loopholes" in the Social Security Act.

The amendment was added to the larger Budget Act with no public hearings on the issue. It was the result of secret backroom budget negotiations between Congressional Leaders and the Obama administration.

Pay attention. This could affect your long-term planning.

What is changing?

The "unintended loopholes" that are being closed include:

1) **The popular strategy of File and Suspend will no longer be allowed after 180 days from passage of the Act.**

As you probably know, this strategy allowed the higher earning spouse to file for his or her benefit at full retirement age and then suspend the benefit until they reached age 70. The higher earning spouse's benefit would continue to earn delayed retirement credits until age 70 and the lower earning spouse could then file for his or her spousal benefit.

Under the new rules, anyone who files and suspends will no longer be able to trigger benefits for a spouse or dependent child. This effectively does away with the option of letting one spouse delay benefits to age 70 while allowing the other spouse to collect a spousal benefit off the record of the higher earning spouse.

2) **If you turn 62 in 2016 or later, the Claim Now, Claim More Later strategy will also disappear.**

Though less widely known, this strategy allowed the lower earning spouse to apply for their own benefit and the higher earning spouse to file a restricted application for their spousal benefit based on the lower earning spouse's record. The higher-earning spouse could then switch to their own higher benefit at age 70.

Under the new law, both spouses will be required to file for all benefits at once.

The good news

- If you have already used the File and Suspend strategy you are grandfathered in. If you haven't, you have until May 2, 2016 to do so.
- If you turned 62 prior to the end of 2015, you will retain the right to collect just a spousal benefit starting at your full retirement age of 66.
- The new rules will not affect widows and widowers. They will retain the right to decide whether to collect a survivor benefit first and switch to their own retirement benefit later. Or take their retirement benefit first and switch to the survivor benefit later.

There you have it. Although the core benefits of Social Security remain unchanged, these changes are important as they may affect your claiming options. Be sure to learn the state of your Social Security benefits because you many need to make some quick decisions.

My daughter is helping me organize my financial matters. She would like me to add her as a joint owner to my checking account so that she can write checks. My son is opposed. What should I do?

Listen to your son. Even if you trust your daughter with your money, your son could lose out when you die. At your death, the entire account will go to your daughter, no matter what you may have stated in your Will or trust documents. Also, joint ownership exposes your account to any creditors your daughter may have. Keep the account in your name only, but ask the bank to set it up with a "payable on death" option, which will ensure that the account assets go to your children without having to go through probate. Or, you could name your daughter as POA. This way she can write checks, but is not an owner.

We invite you to submit your questions to us at plantoday@ctseniorlaw.com.

WHAT'S UP WITH US

Meet our new attorneys!

Taylor Domi works in our Litigation Department. She defends and prosecutes cases involving Will contests, nursing facility collection actions, conservatorships, fiduciary accountings and mismanagement and elder financial exploitation.

Peter Smith is an estate planning associate who represents our clients who need estate and tax planning, asset protection, Medicaid planning and estate administration. Peter is licensed to practice both in Connecticut and Massachusetts.

February 23 **Paying for Long-Term Care: Ways to Keep from Going Broke**– Farmington Library

February 25 **Estate Planning: Don't Make These Mistakes!** – The Residence at South Windsor

March 22 **Paying for Long-Term Care: Ways to Keep from Going Broke** – Arbor Rose at Jerome Home

March 29 **Estate Planning: Don't Make These Mistakes!** – Berlin Peck Memorial Library

To see our Adult Education schedule, go to www.ctseniorlaw.com

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SMART PLANNER

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Special Insert For Legal, Financial and Healthcare Professionals

Connecticut Case Helps Spouses of Nursing Home Residents

It's hard enough dealing with the emotional impact of a spouse residing in a nursing home. But the financial stress of paying for the cost of long-term care—averaging $15,000/month in Connecticut—can be devastating.

Many spouses seek Medicaid benefits to cover the cost of nursing home care. In fact, 70% of Connecticut nursing home residents receive Medicaid, and for married couples, there are many ways to protect assets while ensuring financial eligibility.

A recent Connecticut Superior Court case —*Valliere v. Bremby* — now makes it easier for spouses to retain what is, in some circumstances, a significant fixed income (social security, pension, fixed annuity payments, etc.) through a planning technique that can be used in probate court.

How Medicaid works for married couples

A nursing home resident may not have more than $1,600 in total assets for Medicaid eligibility.

But in the case of a married couple, the healthy spouse is entitled to retain certain exempt assets—specifically a car and home (of any value) and one-half of all liquid assets, capped at $119,220.

The healthy spouse is also entitled to receive monthly income of as much as $2,980—whether the source is from the ill or healthy spouse. In cases, though, where the ill spouse, let's say the wife, has a very high income, she could never divert more of her own income to her husband than what was necessary for her husband to receive $2,980/month. She would need to pay the excess to the nursing home as a monthly co-pay.

What the case says

For starters, the State may appeal the case, so stay tuned! But this case involved an ill spouse under a conservatorship in the probate court. Her husband sought a spousal support order of her entire monthly fixed income, which the court granted.

The husband applied for Medicaid and the Department of Social Services (DSS) granted the application but ignored the probate court order, directing the husband to pay the nursing home with his wife's monthly fixed income.

The Superior Court disagreed with DSS and ordered the agency to comply with the probate court order, meaning that the husband was permitted to retain his wife's income.

It's important to note that seeking a spousal support order in probate court requires the appointment of a conservator, but one can do so under what is called a voluntary rather than an involuntary conservatorship, the latter requiring proof of the individual's incapacity. In other words, seeking a spousal support order can be done in a planning context to preserve income—one does not need to prove any cognitive or physical incapacity for the probate court to have jurisdiction.

What does this mean for Medicaid planning?

There are planning techniques available for spouses to preserve a considerable amount of assets. The potential benefit now, as a result of this case, is that there are now planning options to preserve the institutionalized spouse's income.

This is truly big news and the ramifications are significant. Especially for spouses who receive a very large pension. Now, instead of capping the amount that the healthy spouse receives under the Medicaid regulations, a probate court can order that a higher amount should be ordered.

Stay tuned for updates!

(by Brendan F. Daly)

Audits of Individual Tax Returns Drop for 5th Straight Year

Audit rates for individual returns declined for the fifth straight year and fell to its lowest level in a decade, the IRS announced. Audits dropped from 1.58 million in fiscal year 2010 to 1.23 million in 2015, a reduction of 350,000 audits or 22%.

Take Away: Discussing the impact of budget cuts and reductions in the agency's workforce, commissioner John Koskinen told the AICPA National Tax conference in Washington, DC on November 3rd that the IRS "is especially concerned about the effect on audits." Koskinen said examination revenue has dropped from an average of $14.7 billion for 2005-2010 to an average of $10.5 billion for 2011-2015.

Koskinen said that the IRS has lost 5,000 enforcement personnel since 2010, including revenue agents, revenue officers, and Criminal Investigation staff.

Key Elder Law Numbers for 2016: Annual Roundup

Medicaid Spousal Impoverishment Figures for 2016

These figures are unchanged from 2015. The minimum community spouse resource allowance (CSRA) is $23,844 and the maximum CSRA remains $119,220. The maximum monthly maintenance needs allowance is $2,980.50. The minimum monthly maintenance needs allowance will be $1,991.25 until July 1, 2016.

Medicaid Home Equity Limits

Also no change from 2015:
Minimum: $552,000; Maximum: $828,000

Income Cap

The income cap for 2016 applicable in "income cap" states remains $2,199 a month.

Gift and Estate Tax Figures

Federal estate tax exemption: $5.45 million for individuals
Lifetime tax exclusion for gifts: $5.45 million
Generation-skipping transfer tax exemption: $5.45 million
The annual gift tax exclusion remains at $14,000.

Long-Term Care Premium Deductibility Limits for 2016

The Internal Revenue Service has announced the 2016 limitations on the deductibility of long-term care insurance premiums from taxes. Any premium amounts above these limits are not considered to be a medical expense.

Attained age before the close of the taxable year	Maximum deduction
40 or less	$390
More than 40 but not more than 50	$730
More than 50 but not more than 60	$1,460
More than 60 but not more than 70	$3,900
More than 70	$4,870

Benefits from per diem or indemnity policies, which pay a predetermined amount each day, are not included in income except amounts that exceed the beneficiary's total qualified long-term care expenses or $340 per day (for 2016), whichever is greater.

Medicare Premiums, Deductibles & Copayments for 2016

- Part B premium: $104.90/month (unchanged)
- Part B premium for beneficiaries not "held harmless": $121.80
- Part B deductible: $147 (unchanged)
- Part B deductible for beneficiaries not "held harmless": $166
- Part A deductible: $1,288 (was $1,260)
- Co-payment for hospital stay days 61-90: $322/day (was $315)
- Co-payment for hospital stay days 91 and beyond: $644/day (was $630)
- Skilled nursing facility co-payment, days 21-100: $161/day (was $157.50)

Premiums for higher-income beneficiaries:

- Individuals with annual incomes between $85,000 and $107,000 and married couples with annual incomes between $170,000 and $214,000 will pay a monthly premium of $170.50 (was $146.90).
- Individuals with annual incomes between $107,000 and $160,000 and married couples with annual incomes between $214,000 and $320,000 will pay a monthly premium of $243.60 (was $209.80).
- Individuals with annual incomes between $160,000 and $214,000 and married couples with annual incomes between $320,000 and $428,000 will pay a monthly premium of $316.70 (was $272.70).
- Individuals with annual incomes of $214,000 or more and married couples with annual incomes of $428,000 or more will pay a monthly premium of $389.80 (was $335.70).

Rates differ for beneficiaries who are married but file a separate tax return from their spouse:

- Those with incomes between $85,000 and $129,000 will pay a monthly premium of $316.70 (was $272.70).
- Those with incomes greater than $129,000 will pay a monthly premium of $389.80 (was $335.70).

Social Security Benefits for 2016

- Most Social Security figures remain unchanged. The monthly federal Supplemental Security Income (SSI) payment standard stays at $733 for an individual and $1,100 for a couple.
- Estimated average monthly Social Security retirement payment: $1,341 a month (was $1,328) for individuals and $2,212 (was $2,176) for couples
- Maximum amount of earnings subject to Social Security taxation: $118,500 (unchanged)

(ElderLawAnswers)