UPCOMING SEMINARS

September 21-9:00 a.m.
Estate Planning and Trusts - How to leave your children treasure—not taxes!
Sheraton Rockville Hotel
920 King Farm Blvd., Rockville, MD

October 26—9:00 a.m.
Investing in Real Estate - Higher and Lower Risk ways to Invest in real estate
Gaithersburg Marriott Washingtonian Center, 9751 Washingtonian Blvd, Gaithersburg, MD

To register, call
301-990-4395
or email wsg@natplan.com

Seminar locations and dates are subject to change, always check with our office for the most up-to-date information.

Wealth Strategies Group

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Rockville, MD 20850
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WSG Client Spotlight

Noelle Ronald-Heyman

Noelle Ronald-Heyman has more than 25 years of experience attending to and advocating for the needs of older people in the metropolitan area. Her experience serving in AARP's national headquarters has sensitized her to the variety of fitness, wellness and aging in place needs of maturing adults. She is certified by the National Association of Home Builders as an Aging in Place consultant and by the American College of Sports Medicine as a Personal trainer.

As President of Impresa Management Solutions, Noelle works as a consultant to help families, couples and individuals remain in their homes as they grow older. Her recent appointment to the Montgomery County Commission on Aging supports and encourages her passion for advocacy on behalf of older County residents.

In April, Noelle presented an Aging in Place Seminar for WSG clients and shared her insight and experience with an appreciative audience.

Noelle and her husband Mat recently moved to Kensington. When not working or enjoying their grandchildren, they run marathons and travel.

Noelle can be reached at 240-460-6313 if you would like more information on the services she provides.

Wealth Strategies Group

Financial Focus

Issue 14 · Fall 2013

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Rising Mortgage Rates

What Does It Mean For The Economy?

There is no doubt that the housing market has contributed to the overall recovery of our economy. Home sales, housing prices and residential construction have all moved up over the past year. In part, supported by low mortgage rates and confidence in the housing market. Interest rates on 30-year fixed-rate mortgages have climbed in recent months. However, even with the jump, rates are still lower than they have been in decades.

When mortgages become costlier, things can become a little more difficult for home buyers, sellers, builders, in short, the whole housing industry. As housing's comeback is a key factor in our economic recovery, how worried should we be that home loans are getting more expensive?

Economists in a recent Wall Street Journal survey are divided on the issue: 40% said the rise won't have a noticeable effect while 35.6% felt it would slow sales. Analysts such as John Lonski with Moody's Analytics sees rising rates affecting sales. During one four week period ending on July 12, applications were down 5% from their 2013 high. Mr. Lonski said, this tends to suggest that higher mortgage yields will at least slow the housing recovery. "It doesn't mean that home sales are about to collapse or contract. But they will be slowed by costlier mortgages."

Some housing analysts say the higher rates could actually help aid the recovery. Potential home buyers who have been on the fence may finally move forward on a purchase. The increase in rates may drive home the point that while borrowing is still cheap, they better lock in a rate now before rates get even higher.

The National Association of REALTORS® (NAR) said it expects contract signings to be stable through the rest of the year, predicting existing home sales will rise more than 8 percent. They also expect the median home price to rise nearly 11 percent this year because of inventory shortages.

The question to ask is whether consumer spending and GDP will keep improving as mortgage rates keep rising. Two things are certain: consumers have grown more optimistic and home loans are still very affordable these days. These two factors may encourage demand in the real estate market in the face of rising interest rates.

Interested in Real Estate Investing and want more information on the options available to you as an investor? Join us on October 26 from 9 to noon for our Real Estate Investment Seminar. Our panel of specialists will include: REIT specialist, Real Estate Attorney, Mortgage Broker, Financial Planner and actual investors who will talk about their experiences in the market.

Saturday, September 21, 2013—9:00 a.m.

ESTATE PLANNING AND TRUSTS: How To Leave Your Children Treasure, Not Taxes!

Location: Sheraton Rockville Hotel

SPEAKERS: Patrick Carroll, CFP® and Francis Kreysa, Esq.*

Learn strategies to help you avoid probate, save taxes and more. If you own titled assets and want your loved ones to avoid court interference at your death or incapacity, consider attending this informative seminar. Are you a trustee on a trust? This is a great opportunity to learn more about your responsibilities.

Call 301-990-4395 or email wsg@natplan.com to reserve a seat!

*Francis Kreysa is not a representative of NPC

Planning For Long Term Care…

How can we address these expenses without breaking the bank?

By Stephen Zelcer

Many people plan for retirement and they plan for death, but most people forget to plan for the transition period between retirement and death. In this transition period, a person may lose their ability to service themselves (the technical term is “perform the activities of daily living, ADL’s for short) and will require “custodial care,” a.k.a. long term care.

Here’s a quote from the LTCFEDS website: “According to the U.S. Department of Health and Human Services (HHS), at least 70 percent of people over age 65 will require some long term care services at some point in their lives. And, contrary to what many people believe, Medicare and private health insurance programs do not pay for the majority of long term care services that most people need . . . Planning is essential for you to be able to get the care you might need.”

Currently the national average cost for home care (the cheapest form of LTC) is $31,200 per year. But who cares about current rates? We should worry about the future costs of LTC. If you inflate that national average by 3% you’ll be paying over $65,000 per year in 25 years. Remember, these costs are on top of your regular costs of living – just imagine what those figures are going to be in 25 years. Also remember that nursing home costs are MUCH higher than home health care.

To deal with LTC costs people employ the following strategies:

- ***Medicaid Planning***
- ***LTC Insurance***

Medicaid Planning

Medicaid Eligibility: As quoted above, Medicare and Health insurance won’t cover LTC costs. But Medicaid will! Medicaid is a Federal/State program for people with little assets and little income.

Assets- When I say little, I mean little. The exact number varies by state, but typically if you have more than $2,500 in assets (*that’s not a typo - $2,500!)* then you will not qualify for Medicaid. One’s primary residence and primary vehicle are usually “non-countable” assets, meaning they will NOT cause one to be ineligible for Medicaid even though they are worth more than $2,500. “Countable” assets include bank accounts, investment accounts and retirement accounts, as well as other forms of assets.

(Even though a primary residence home may be a “non-countable” asset, this does not mean the home is protected from estate recovery by Medicaid after the applicant’s death. If a Medicaid beneficiary dies and the home is no longer occupied by a spouse, the state may seek to recover the amount of benefits paid by placing a claim against the value of the home.)

Income- How much income is too much? This too varies by state. Some states have an income cap that will disqualify an applicant if they have more than $700 of monthly income. Other states don’t use an income cap, but instead require you to apply your monthly income toward any medical or custodial care before Medicaid will kick in. (They generously give you a monthly personal needs allowance of about $50.) Most forms of income are considered “countable income” including Social Security retirement income and Federal Pensions.

Income eligibility becomes doubly complicated when dealing with married couples and only one of them is applying for Medicaid. The non-Medicaid spouse’s (a.k.a. the “community spouse,” CS for short) assets and income are partly counted with the Medicaid spouse’s (a.k.a. “the institutional spouse,” IS for short) for determining eligibility. The CS is allowed to retain only a certain amount of assets & income (again, varies by state) for personal use. The rest needs to be used to cover the expense of the IS.

***Medicaid Planning*:** So becoming eligible for Medicaid basically means impoverishing one’s self. Impoverishing one’s self sounds pretty scary, and it is. Planned impoverishment, sometimes referred to as Medicaid Planning—can be done simply by giving away your assets, either to friends or relatives or into a trust. Not all trusts do the job. Assets in a revocable trust are considered available to the applicant and, therefore, as a countable resource.

However, assets in an irrevocable trust are completely out of your possession and thus are not counted. Another very common tool used to preserve assets is an annuity. In order to be removed from your list of countable assets an annuity must be immediate and irrevocable.

Once you have given your assets away to the extent that they are not considered yours, you can then proudly call yourself poor and you should qualify for Medicaid. However, if you do plan on transferring or gifting away assets, you’ll want to do so more than 5 years before you apply for Medicaid.

Why? Because Medicaid has established a 5-year “Look-back” period to counter self-impoverishment. The Look- Back Period refers to how far back the state can examine your records to see what you or your spouse have done with your money. Any transfer of ownership of assets within the look back period will trigger a “penalty period” or ineligibility period. For example, if within the look-back period someone transfers an asset valued at $30,000 in a state with a monthly nursing home cost of $3,000, they would have a 10 month period of ineligibility for Medicaid (10 x $3,000 = $30,000).

However the look-back provision only addresses transfers of ownership. There are other methods to make one’s self Medicaid-eligible, namely by funding non-countable assets. For example, recall that one’s primary residence is a non-countable resource. One can use countable cash assets to make improvements and repairs to the non-countable home.

Another non-countable asset is a burial plot. One can purchase family burial plots or prepay funeral expenses to convert countable cash assets into a non-countable asset. Another method is to use countable assets to pay off debts or prepay certain annual expenses.

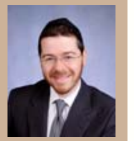
One can even reduce monthly income from their pensions by opting to receive their pension in the form of a lump sum payment and removing that lump sum from their ownership (i.e. into a trust) or converting it into a non-countable asset. However, remember that converting countable assets into non-countable assets may help with eligibility but may not protect that asset for heirs.

In short, it is important to plan for the LTC transition stage of life. Those who plan to rely on Medicaid assistance for long-term care must weigh their countable income and their countable assets against the requirements of their state. Keep in mind that if you impoverish yourself and find that you do not need nursing home care, your money is gone.

If you are considering this route, you are strongly encouraged to seek the advice of a qualified advisor who can assist you with these matters. At WSG we can provide you with other alternatives that may work better for your situation.

Look for Part Two of Stephen’s article on Long Term Care Planning in our Spring 2014 issue of Financial Focus. In Part Two, Stephen will address the benefits and pitfalls of Long Term Care Insurance.

Stephen Zelcer is an advisor who specializes in benefits for federal employees. He is also an accomplished lecturer presenting seminars on a variety of topics. Stephen can be reached at Stephen.zelcer@natplan.com or at 301.990.4395.



Patrick Carroll

David Shober

Tom Clements

Stephen Zelcer

Quarterly Commentary

We are coming up on a one year anniversary for sending out our Weekly Economic Update via email. We hope you have enjoyed the economic news as well as the golf tips and delicious recipes. We are also using the email system to alert you to our upcoming seminars and workshops. Please let us know what you think of the email system and if you read our emails. If you are not interested in receiving every email but want to stay on our system, please just delete our Weekly Update emails or seminar emails. If you mark us as SPAM, we cannot immediately add you back to our system.

On another note, we now have a Wealth Strategies Group Facebook page. We don’t post comments or economic information on the page, instead, we use the page to highlight pictures of our client events and client trips. We are also including your vacation pictures, so feel free to email us one or two of your vacation pictures and we will post them on the site. Please send them to wsg@natplan.com. You can go to our site now and view the event photos as well as the Wealth Strategies Group cruise and trip pictures.

We have some terrific seminars coming up this fall including a new one on Real Estate Investing. This will be a workshop with a panel of professionals as well as individuals who are currently investing in real estate. Don’t miss this event! Look for your invitation to come in the mail in mid September! In the meantime, enjoy this early fall weather!

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