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Ask Matt: How to protect assets from nursing home costs

by Matt Krantz, USA TODAY

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Q: Are there ways for my father to protect his portfolio and real estate assets from being devoured by nursing home costs in the future by planning now?

A: Few things will wipe out an elderly person's estate faster than the costs of spending time in a nursing home.

Costs vary based on quality and location, but the average cost of nursing home care is \$73,000 a year and rising, says Genworth. At that clip, it wouldn't take long for a patient to spend down their assets, leaving nothing for heirs.

Most health insurance plans don't cover nursing home expenses. Retirees often turn to Medicaid to pay for nursing home costs.

Medicaid, though, is strict in who can qualify for its support. The rules are designed to prevent an elderly person from giving away all their money less than five years before entering a nursing home and then having the government pick up the nursing home costs.

There are ways to get assets out of the estate, legally, to prevent nursing home costs from draining them away, says Michael Gilfix, an estate planning attorney at Gilfix & La Poll.

The key is to start making gifts at least five years before the need for nursing home care presents itself. To make the move more palatable, a set of parents might make a major gift to their kids at least five years before they will need nursing home care. The kids, then, on their own and not part of any quid pro quo, set up a special needs trust for the benefit of the mom and dad, Gilfix says.

A child can also count parents as dependents if they take on much of the cost of the parent's nursing care. If the child pays for at least half the medical costs, he or she may

Tim Harrison for USA TODAY

Resident Irene DuRell walks the hallways with administrator Jill Herron at Welcome Nursing Home in Oberlin, Ohio.

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deduct a portion of the medical costs, which could be a lucrative write-off for costs that are unavoidable. But there are limits.

Investors might also consider creating a so-called dynasty trust for the benefit of the child. The dynasty trust protects assets in case the child is divorced or sued, for instance, as the funds are kept separate. "It's why the rich get richer," Gilfix says.

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