

Pro Tip TUESDAY

Pro Tip on FINANCIAL SERVICES

Retirement Planning: The Basics

Cindy Thorne,
AVP/Trust Officer



Understand your investment options. You need to understand the types of investments that are available, and decide which ones are right for you. If you don't have the time, energy, or inclination to do this yourself, hire a financial professional. He or she will explain the options that are available to you, and will assist you in selecting investments that are appropriate for your goals, risk tolerance, and time horizon. Note that many investments may involve the risk of loss of principal. For more information, contact one of our First Keystone Community Bank Trust Professionals today at (570) 802-8200.

You may have a very idealistic vision of retirement — doing all of the things that you never seem to have time to do now. But how do you pursue that vision? Social Security may be around when you retire, but the benefit that you get from Uncle Sam may not provide enough income for your retirement years. On top of that, people are living longer and must find ways to fund those additional years of retirement. Such eye-opening facts mean that today, sound retirement planning is critical. But there's good news: Retirement planning is easier than it used to be, thanks to the many tools and resources available. Here are some basic steps to get you started.

- Determine your retirement income needs
- Calculate the gap
- Figure out how much you'll need to save
- Build your retirement fund: save, save, save

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Pro Tip on ESTATE PLANNING

Caution Ahead: Gifting & Qualifying for Medicaid

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Medicaid is a federal/state program helping seniors with limited income and assets afford healthcare and long-term care. Many seniors mistakenly believe their only option to qualify for the program is to either spend their assets or give them away. While these approaches can be a part of a strategy to accelerate Medicaid eligibility, extreme caution should be taken before doing so. The program's eligibility rules are complicated, as is the application. Mistakes can have devastating long-term consequences on a family and their finances. It is best to navigate the process with a qualified Medicaid planning elder law attorney before you need benefits.

The general rule is that anyone gifting assets within five years of applying for Medicaid is likely subject to a penalty, making them ineligible for benefits. This review of past financial history is called the look-back period. In essence, you cannot gift assets to your children on Wednesday to qualify for Medicaid long-term care on Thursday.

A Medicaid penalty period addresses individuals who would otherwise be Medicaid eligible but do not pass the five-year look-back rule. Medicaid arrives at the penalty period by dividing the transferred amount by the average private pay cost of a nursing home in Pennsylvania. The penalty period begins when the person making the transfer moves into a nursing home, spends down to asset limits for Medicaid eligibility, applies

for Medicaid coverage, and has approval except for the transfer. There is no limit to the length of a penalty period. Not all gifts will trigger Medicaid penalties.

There is never a penalty for gifts between spouses. This is because Medicaid combines both spouses' assets when counting the assets of a spouse applying for Medicaid.

There is a child caregiver exemption permitting the transfer of a home to an adult child who has resided with an older adult for two years prior to moving into a nursing home and the child's presence in the home delayed the need for nursing home care.

Another exception permits the creation and funding of a trust for a child who is disabled under the rules of the Social Security Administration. No matter how large the gift, no penalty will be attached.

Seek qualified legal advice when creating your Medicaid long-term care strategy. Begin early, well before you anticipate needing long-term care. Our Certified Medicaid Planners at Luschas, Naparsteck, & Crane, LLP are happy to sit with you discuss the proper gifting techniques available to you. Call 570-784-4654 to schedule a consultation.

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