WHAT EVERY CPA SHOULD KNOW ABOUT ESTATE & LONG-TERM CARE PLANNING

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Helping Your Clients Protect What Matters Most
Throughout Every Stage of Life

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Why does planning matter to CPAs?

- CPAs are often the first to notice financial warning signs of aging or decline.
- You are your client's trusted advisor. Your guidance can prevent crisis.
- Early referral = better outcomes, tax efficiency, and family stability.

The Coming Silver Tsunami

- By 2050, 88 million Americans will be age 65+.
- 70% will need long-term care at some point in their life.
- Average private room cost in Virginia: $110,000+/year.
- Clients are living longer but not always healthier.
- Over 50 million U.S. adults act as unpaid caregivers for adults with illness, disability or aging-related needs.

The Real Risk

- How many of your clients could afford $400/day for care on a long-term basis?
- Spouses and adult children often bear the hidden financial burden.
- Unprotected assets are quickly depleted.
- Long-term care costs can undo decades of financial planning and financial security.

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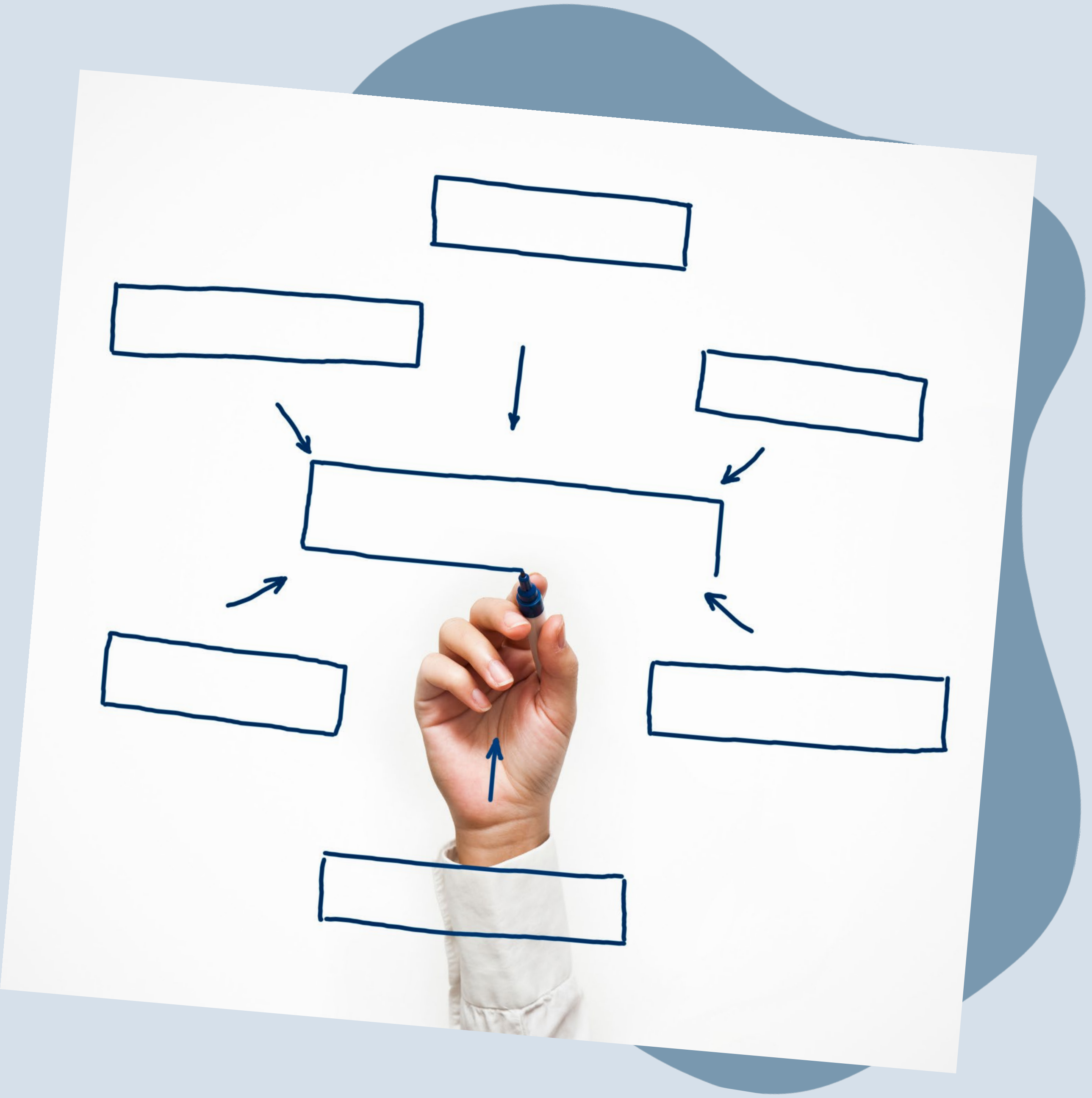
The Client Lifecyle

CPAs are often the first professionals to see changes that signal a need for elder law planning. Your insight allows families to act before it becomes a financial or medical emergency.



Early Stage: Financial and tax planning for retirement.

Mid Stage: Health or cognitive changes begin; ideal time for pre -planning.

Late Stage: Crisis or nursing home care; coordinate with elder law attorney.

The CPA’s Role in Protecting Clients

1

Recognize risks early and educate clients about options.

2

Coordinate with financial advisor and elder law attorney for strategy and compliance.

3

Help ensure the family does not run out of money before they run out of time.

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Pre-Planning vs. Crisis Planning

Pre-Planning

- Done 5+ years before care is needed
- Uses trusts, POAs, and structured transfers
- Preserves tax efficiency and control

Crisis Planning

- Done when care is already required
- Uses emergency asset protection, spend-downs
- Higher urgency, fewer tools

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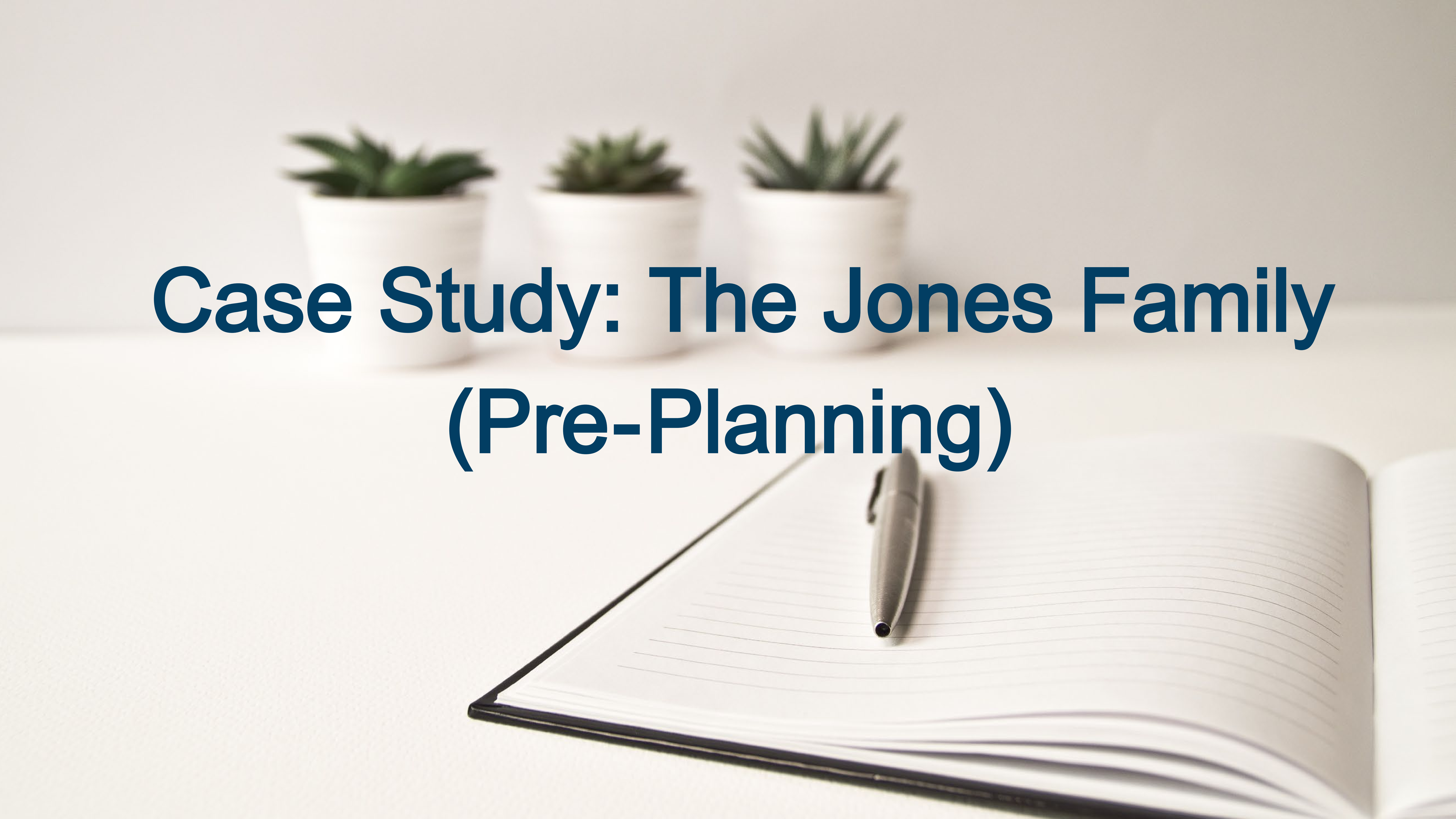
Case Study: The Jones Family (Pre-Planning)



- Married Couple, in their late 60s, healthy but cautious.
- Transferred home and savings into irrevocable trust five year ago.
- Retained income rights and control through child as trustee.
- Husband diagnosed with Parkinson's last year – assets are now fully protected.

Lesson: → Early education preserves control and options.

Case Study: The Smith Family (Crisis Planning!)

- Husband needs nursing care unexpectedly.
- Wife is overwhelmed and draining savings.
- CPA noticed large, recurring medical expenses and referred the Smith's to an elder law attorney.
- Result: Assets sheltered, income reallocated, spouse protected.

Lesson:

Even late-stage/crisis referrals make a difference. It is never too late.

Key Elder Law Tools

- Strategies and tools that help clients maintain control, preserve assets, and ensure long term care needs are met.
- CPA’s play a vital role in identifying risks, recognizing planning opportunities, and coordinating with elder law counsel.

Key Elder Law Tools

- **Customized Estate Plan:** Specific to family dynamic and client's assets.
- **Irrevocable Trusts:** Asset protection, tax efficiency, Medicaid/VA eligibility.
- **Crisis Planning Strategies:** Annuity/promissory note and reverse half a loaf.
- **Power of Attorney:** Enables planning when capacity declines. Must include elder law and asset protection powers.
- **Caregiver Agreements:** Legitimate payments for family-provided care.
- **Special Needs Planning:** Protects benefits for disabled dependents.
- **Family Complexity Planning:** Planning for families with complex dynamics to avoid potential squabbles or lawsuits.

Why should my client have a customized estate plan?

Every family and financial situation is unique, and their estate plan should be, too.

Estate Planning Elements

<u>Miscellaneous</u>:

- Charitable Planning
- Special Needs Planning
- Business Succession Planning

Customized Estate Plan

- A customized plan integrates legal, tax, and long-term care strategies to protect both assets and family relationships.
- Goes beyond distributing wealth and focuses on how to ensure the client has the care they need and the family dynamic does not suffer.
- Long-term care protections (trusts, gifting strategies, insurance coordination)
- Family complexity planning (blended families, caregiving expectations, sentimental property)
- Tax optimization (income-shifting, step-up in basis, charitable planning)
- Probate avoidance for surviving spouse or family members

The CPA's Role

Help clients keep their financial picture and estate plan working together

Red Flags:

When client's existing plan is outdated, generic, or no longer matches family and financial reality, or when family relationships are already strained.

Long Term Care Asset Protection and Irrevocable Trusts

- Preplanning can help client protect assets ahead of time.
- Complex and require attorney specializing in these types of trusts.
- Client gives up control but can retain tax advantages.
- Can allow §121 capital gains exclusion and step-up in basis.
- Income may still be taxable to grantor (IDGT).
- Requires 1041 filing when income-producing assets are inside.

Tax Implications to Note

- Gift tax: transfers to irrevocable trusts often incomplete gifts.
- Step-up basis: retained powers may preserve it.
- Trust income: know who receives K-1s.
- Watch for new trust EINs, 1041 obligations, and capital gains treatment.

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Crisis Planning Strategies

- Used when a client already needs care at home or is entering a nursing facility.

- Annuity/Promissory Note Strategy: Converts assets into income streams for the well spouse or applicant, allowing for immediate Medicaid eligibility.

- Reverse Half-a-Loaf: Combines partial gifting with annuity/note to preserve about half of assets while covering care during the penalty period.

- Allows for meaningful asset preservation even in a crisis.

The CPA’s Role

Coordinate on taxation of annuity income, interest, and documentation of transfers.

Referral Trigger:

Client or spouse is already in care or spending down assets quickly.

Crisis Planning

Golden Rules:

- Can typically protect 100% of assets for a married couple and have one spouse qualify for Medicaid immediately.
- Can typically protect 50% of assets for a single person.

Power of Attorney

Enables planning if capacity declines —but only if properly drafted.

Must specifically include elder law and asset protection powers:

- Create and fund irrevocable long term care asset protection trusts.
- Make gifts or transfers for long term care planning purposes.
- Enter caregiver or personal service contracts.

Without these powers, planning may be not be possible once capacity is lost.

- Family will have to file for conservatorship.

CPA's Role: Spot outdated POAs or missing authority. Encourage review during tax or financial planning season or when health issues arise.

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Caregiver Agreements

- Contract that allows family members to be paid for care or assistance under a formal written agreement.
- Payments are legitimate only if documented before care payments begins.
- Prevents Medicaid from treating payments as disqualifying gifts.
- Ensures caregiver income is reported correctly (Schedule C or W-2).

CPA's Role: Help structure payments, track hours, and ensure tax compliance.

Referral Trigger: Family member already "helping" with care or receiving informal payments.

Special Needs Planning

- Uses Special Needs Trusts (SNTs) to preserve eligibility for SSI/Medicaid.
- Funds supplement but do not replace government benefits.
- Commonly used when parents or grandparents plan for a disabled child or grandchild.
- Distributions should support non-covered needs (education, therapies, travel, etc.).

CPA's Role: Track and report trust activity; coordinate to ensure distributions don't jeopardize benefits.

Referral Trigger: Client supports or mentions concerns about a disabled family member's future care.

Family Complexity Planning

- Families today are more complex: blended families, later in life marriages, family businesses, conflict between adult children, and differing opinions about care.
- Lack of planning leads to disputes over money, caregiving responsibilities, and sentimental belongings.
- Clear, legally structured plans reduce confusion and resentment.
- Encourages family dialogue while decision -makers are still healthy and capable.

CPA's Role: Spot tension, ask about family dynamics, and encourage proactive planning.

Referral Trigger: Client mentions family disagreements, unequal gifts, or concern about fairness.

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Financial Roadmap
Preparing for the "What If"

- Every client should have a clear roadmap of their financial life including accounts, assets, debts, and key contacts.
- Ensures adult child or trusted person can step in seamlessly if health or capacity changes.
- Helps avoid missed bills, penalties, or lost assets during a crisis.
- Ideal project for CPA and attorney collaboration.

Recognizing At-Risk Clients

- Clients age 50 and over with no LTC insurance and who cannot self -insure.
- Widows or single retirees relying on fixed income.
- Clients who will have detrimental drop in income or financial security if one spouse passes away.
- Clients supporting a disabled/dependent child or spouse.
- Noticeable increase in medical costs or facility payments.
- Children added to accounts or “helping with bills”.
- Client asking about putting child on deed to home.

Recognizing At-Risk Clients

- Watch for adult children who have senior parents that may need long term care planning.
- Client asking if they can claim parent as dependent.
- Client discussing possible early retirement to help care for parent.
- Client with a senior parent who may put the child's financial security at risk.

Other Red Flags to Watch For

- Sudden transfers of property or large amounts of money to children.
- Liquidating retirement assets for care.
- No updated Power of Attorney.
- Short, simple, or old Power of Attorney.
- Estate planning not updated after spouse passed away.
- Requests for advice about gifting or paying caregivers.
- Falling for scams or making poor financial or other choices.
- Concerned about losing home or spouse’s security

Top Questions to Ask

- Have you planned how long -term care would be paid for?
- Who would manage your finances if you couldn’t?
- Do you have a Power of Attorney that includes long term care planning powers?
- Are there any family tensions about money or caregiving?
- When was your estate plan last reviewed?
- These questions start meaningful conversations and often uncover serious risks.

The CPA and Elder Law Attorney
Collaboration

CPA provides:

Financial data, tax strategy, spending patterns.

Elder Law Attorney provides :

Legal structure, asset protection, compliance.

Together:

Holistic protection for the family’s finances and dignity.

How to Start the Conversation

- Use natural moments: tax time, retirement planning, estate reviews.
- Ask: “Have you thought about how care would be paid for if one of you needed help long -term?”
- Offer to connect them with an elder law attorney.
- Frame it as preserving control, not giving it up.
- Frame as ensuring stability and security.

Common Myths

- ✗ "We'll just give everything to our kids."
- ✗ "Medicare will pay for the nursing home."
- ✗ "I have a will, so I'm covered."
- ✗ "I am just going to pass away. I will never go to a nursing home."
- ✗ "No one in my family ever needed a nursing home."
- ✗ "It will not happen to me" syndrome.

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Truth:

Planning for long-term care is about life, not death.

"There are only four kinds of people in the world: those who have been caregivers, those who are currently caregivers, those who will be caregivers and those who will need caregivers."

- Rosalynn Cater

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What Happens Without Planning?

- Spouse or dependents left financially vulnerable.
- Assets spent down to qualify for care.
- Options for better care may decline as finances decrease.
- Missed tax advantages and costly mistakes.
- Families forced into last-minute, high-stress decisions.

Key Takeaways for CPAs

- Identify risks early and refer.
- Pre-planning = best results.
- Crisis planning still helps! Never assume it is too late.
- Collaboration protects clients and their legacies.

Your Clients Will Thank You!

- You helped them protect what they have worked to build.
- You reduced stress and preserved their dignity.
- You gave them more options for better care.
- You strengthened your advisory relationship for the long term.

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Thank you!

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Estate Planning, Long Term Care, Trust Administration

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