

Is an IRA Counted By Medicaid?

Louise Williams has had a rough year. Her husband Tom suffered a stroke in the early Fall and since then she has been trying to keep her head above water, care for Tom, put in a full day's work as a registered nurse and run the household. Not surprisingly, she is exhausted. To make matters worse, she has just learned from the doctor that her husband will now need nursing home care.

In talking with some co-workers, Louise was told that her 401(k) plan at work must be spent-down before Tom will qualify for Medicaid. Louise is confused. All of her life she's been told that she couldn't touch the money in her 401(k) without incurring huge penalties and taxes. Now, she's being told she has to spend the money?

Louise and Tom have the following assets:

- The house: \$100,000
- 1999 Buick: \$9,000
- Bank accounts: \$25,000
- Savings bonds: \$5,000
- 401(k) (hers): \$125,000

In the State of Michigan, total countable assets include bank accounts, savings bonds, and the 401(k) plan. (One car and the house are exempt). If we add together the Williams' bank accounts, savings bonds and 401(k) plan, their total assets are \$155,000.

With total assets of \$155,000, Mrs. Williams will have to spend-down more than \$75,000 before her husband will qualify for Medicaid. That's because Michigan counts the IRAs, pensions, 401(k) plans and other retirement plans of both the nursing home spouse and the community spouse, when figuring what assets count for Medicaid spend-down purposes. In this case Louise's co-worker was right, the total spend-down would, indeed, be more than \$75,000.

In most states, IRAs or other retirement plans of the nursing home spouse are counted for Medicaid purposes. However, differences exist between states regarding the retirement plans of the community spouse, so don't assume that what holds true in Michigan will hold true elsewhere.

To learn more about the Michigan Medicaid rules please contact Elder Law Solutions.

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