Many people are afraid the high cost of nursing home care will deplete all of their assets in their later years. Honestly, however, there are many more people who aren’t worried and probably should be. Without a plan for long-term care, families often find themselves panicking when a crisis hits.

Some of the people who are not worried think that the living trust they set up to avoid probate will protect their assets, but they are in for a rude awakening. Here’s why and what you can do instead to conserve your assets.

Property in a Revocable Trust is Still Viewed as Yours

When you transfer assets to a revocable trust, the trust technically owns the property, but you still control it. Because you can revoke or change the trust at any time, the IRS and other government entities still see the property in the trust as yours. If you want to receive Medicaid benefits to pay for long-term care costs, property in your revocable living trust counts against you for eligibility. Unless you have almost entirely depleted the trust assets, they will be too great to allow you to qualify for Medicaid.

If you have a contractual arrangement with a nursing home that allows them to claim your property in payment for fees, they can reach the property in your revocable trust. A revocable trust does not provide enough of a barrier to protect your property from creditors.

Moving Assets to an Irrevocable Trust

An irrevocable trust is completely different from a revocable trust. Once you transfer property into the trust, you cannot remove it. You also cannot usually change the terms of the trust or control the property in the trust. It no longer belongs to you but is managed by the trustee for the use of the beneficiaries. Those beneficiaries can be family members or loved ones. With certain types of trusts, you can still receive some proceeds. If a trust is set up correctly, then the assets will not be countable toward your Medicaid ownership limits. That allows you to preserve assets for loved ones while still receiving Medicaid benefits to pay for long-term care costs.

However, the five-year look-back period applies to property transferred into a trust. That means you need to plan ahead and set up the trust at least five years before you anticipate needing nursing home care.

If nursing home care is necessary sooner, estate planning attorneys know other strategies that can help conserve assets

The Nordhaus Firm Can Develop a Plan to Protect Your Assets from Long-Term Care Costs

Revocable living trusts serve a valuable role in many estate plans, but they are not the answer to everything. The estate planning team at the Nordhaus Firm can help you refine your goals and build a plan to protect you and your family. To learn more about irrevocable trusts and other strategies for covering long-term care needs, contact us today.