Asset Protection Planning Case Study No. 2:

# Tom and Donna

Ages and Marital Status: Tom is 69; Donna is 62. They're happily married.

Work History and Status: Tom was the sole family wage-earner for many years. He retired and started drawing Social Security at age 65. Donna only worked until Tom and Donna's first child was born. She has not yet started drawing Social Security.

Family History: Tom's father died in a work accident when he was 47. His mother lived to be 81. Donna's dad is still alive at age 85; her mother died at age 79, after spending the last 3½ years of her life in a nursing home with Alzheimer's disease. Tom is the oldest of 5 children, all living; Donna is an only child. Tom served in the Korean War.

Health/Memory: Tom is doing well after a stroke he suffered in May, 2003, a month after he retired. However, the severity of the stroke and the fact he is diabetic rendered him uninsurable for long-term care insurance. Donna is in very good health. Neither of them has any cognitive problems.

Family: Tom and Donna have three sons: Ed, Ted and Otto (who goes by "Red"). Ed is married with two children, holds a steady job, and lives in Jefferson City, MO; Ned is married with one child, also has a good job, and lives in Champaign, IL; Red is currently in the market for what would be his fourth wife, as well as a job. He just moved from St. Charles to Maryville, and asked his parents to keep that on the hush-hush, because his first wife, to whom he owes child support, keeps hounding him, and she doesn't know about the move yet.

Income: Tom gets $2,100 a month in Social Security, and he has a $400 per month pension. Donna has no current income.

Current Expenses: Tom and Donna will have mortgage payments of $800 per month for the next 8 years, when it will be paid off. Including the mortgage, their living expenses since Tom retired have averaged around $3,800 per month.

Possible Future Expenses: Tom and Donna both like to trade cars about every 3 or 4 years; Tom's Expedition is 2 years old; Donna's Camry is 3 years old. The carpeting in their house is 11 years old; the furnace is the same age as the house, 18 years. The two nearest assisted living facilities charge around $2,500 to $3,600 for a single person, plus another $1,100 per month if a couple lives there together. The two nearest "decent" nursing homes charge $4,800 and $5,400 per month, respectively, for a semi-private room.

Assets – Real Estate: Tom and Donna own their home, valued at $250,000. They still owe $60,000 on a mortgage. They don't own any other real estate.

Assets – Bank Accounts and Deposits (all held jointly):

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|---|---|
| Checking: | $ 5,000 |
| Money Market | $ 25,000 |
| CDs: | None |

Assets – Investments:

| | |
|---|---|
| Tom's Rollover IRA: | $250,000 |
| Balanced Portfolio (Joint): | $150,000 |

Life Insurance
Tom (group policy through work): $50,000 death benefit, no CSV
Tom (Veteran's Life): $10,000 face amount, $10, 900 death benefit, $9,300 CSV
Donna: None

**How might Tom and Donna benefit from planning directed toward protecting their assets from the risk of having to be spent down to pay for long-term care costs either of them may incur in the future? What can be done to help them?**