

Asset Protection Planning Case Study No. 1:

## **ANNIE**

Age: 75

Family History: Annie's father died at age 81. Her mother lived to be 89. Her older sister, age 77, and younger brother, age 71, are both still alive.

Health/Memory: Annie has been experiencing increased memory and cognitive problems, and was just diagnosed with early-stage Alzheimer's disease. At this time, she functions pretty well and is able to live at home. Her daughter Laura checks on her once a day, and helps her with reminders.

Marital Status: Annie has been divorced from Al since 1980.

Family: 4 children: Tim, Lisa, Laura and Ron.

Tim: Estranged; only sporadic contact since divorce 27 years ago.

Lisa: Good relationship, but lives in Seattle.

Laura: Good relationship; lives locally, is divorced, has offered to move in with Annie to help care for her if later needed, but works full-time to support herself; children are grown.

Ron: Good relationship; lives locally, is married; he and his wife are very busy running their own small business; has 5 children, 1 in graduate school, 2 in college, 2 still at home.

Income: Social Security: \$1,400 per month, net of Medicare Part B;  
Pension: \$800 per month, net of group health insurance.

Current Expenses: Annie's house is paid for. Over the past 5 years, her total spending has been such that she has been able to consistently save about \$200 per month. About a year and a half ago, she withdrew around \$10,000 from savings toward buying a new car to replace the one she wrecked (she got an insurance payment for its value.)

Possible Future Expenses:

1. The two assisted living facilities nearest to Annie currently charges \$2,700 to \$3,800 per month, depending on unit size, meal options and other service level choices.
2. The two nursing homes nearest to Annie currently charge \$4,500 to \$5,100 per month for a semi-private room.
3. If Annie needs medication to try to minimize the rate of advance of her Alzheimer's disease, which she probably eventually will, it will cost around \$500 to \$750 per month, in today's dollars.

Assets – Real Estate: Annie owns her home, free and clear. It's worth about \$150,000. She and Al built it about 40 years ago. They paid \$7,000 for the lot. She also owns a time share in a condo at the Lake of the Ozarks. She paid \$15,000 for it 10 years ago when she retired; it's worth \$20,000 now.

Assets – Bank Accounts:

Checking: \$ 5,000 (Laura is listed as a joint tenant "for convenience")  
Money Market: \$ 20,000 (Laura is listed as a joint tenant "for convenience")  
CDs: \$ 50,000 (being a \$20,000 CD that matures in March 2009, and a \$ 30,000 CD that matures in July 2011)

Assets – Investments:

IRA: \$ 70,000  
Mutual Funds: \$130,000  
MetLife Stock: \$ 2,000  
Electric Co-op Stock: \$ 1,000

Assets – Life Insurance:

Group (through former employer): \$50,000 death benefit, no cash surrender value

Individual: 3 policies, all through MetLife:

- A. \$1,500 face value, \$4,800 death benefit, \$4,400 CSV – paid up
- B. \$5,000 face value, \$5,900 death benefit, \$5,500 CSV – paid up
- C. \$25,000 face value, \$25,000 death benefit, \$3,700 CSV, premiums are \$250 per quarter

**How might Annie benefit from planning directed toward protecting her assets from being spent down to pay for long-term care costs she may incur in the future? What can be done to help her?**