

SMART AGING *Update*

NEWS AND IMPORTANT INFORMATION FOR SENIORS AND THEIR FAMILIES



Understanding Medicaid's Look-Back Rule: What Every Family Should Know

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Many families don't think about Medicaid until a loved one is facing a health crisis—like a sudden need for nursing home care. But by then, you have fewer options and it becomes more difficult to avoid costly consequences. One of the most misunderstood rules in Medicaid eligibility is the five-year look-back period—a detail that can make or break your ability to qualify for benefits without depleting your savings.

So what exactly is the look-back rule? And why does it matter so much?

When someone applies for long-term

care Medicaid (the program that helps pay for nursing home or in-home care), the government reviews their financial history—specifically, any transfers of assets made in the five years before the application date. This is known as the “look-back period.” If you've given away assets or sold something for less than fair market value—whether it was to a child, grandchild, friend, or charity—those transfers can trigger a penalty period. During that time, Medicaid will not cover your care, and your family may be responsible for thousands of dollars in costs.

Because the Medicaid program has a



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Understanding Medicaid's Look-Back Rule: What Every Family Should Know *(cont.)*



lot of rules that vary from state-to-state, there often exists a confusion about what should and should not be done to protect assets. Many well-meaning families unknowingly trigger penalties by:

- **Gifting money to children or grandchildren** (even for birthdays or weddings). Medicaid may penalize you for such gifts, as uncompensated transfers.
- **Adding someone to a home title without receiving fair payment.** Medicaid views this as gift as well, unless the recipient falls into one of a few small exception categories.
- **Selling property below market value** to “keep it in the family.” Medicaid has caught on to this practice, and penalizes you for the portion of the discount you gave.
- **Making large charitable donations** shortly before applying. While this seems like it should be allowed, Medicaid doesn't want applicants to impoverish themselves, solely to qualify for Medicaid.

Even something as simple as helping a loved one with a down payment or co-signing a loan can raise red flags if not handled properly.

These actions may seem harmless—or even generous—but under Medicaid rules, they're considered asset transfers, and they can delay your eligibility for benefits when you need

them most.

Timing Is Everything

The best time to plan for long-term care isn't when a crisis hits—it's years earlier, while you're still healthy and independent. Early planning opens the door to legal strategies that can protect your assets and preserve your eligibility for Medicaid down the road.

For example, certain types of trusts, caregiver agreements, and other planning tools can help you reposition assets in ways that comply with the rules—but they typically work best when established in advance.

Even if you're within the look-back period, there are still ways to minimize penalties or preserve some assets, but options become more limited the longer you wait.

The Bottom Line

The Medicaid look-back rule is one of the biggest traps for aging adults and their families. It's not about hiding money or gaming the system—it's about understanding the rules and using legal tools to plan ahead with dignity and clarity.

How to Protect Generational Wealth

Why Now Is the Time to Plan for What You've Built



Over the next two decades, we'll witness the largest generational transfer of wealth in history. According to Cerulli Associates - a research, consulting, and analytics firm for the financial services industry - Baby Boomers are expected to pass down over \$105 trillion in assets to their heirs—primarily Gen X and Millennials. But here's the problem: studies show that 70% of wealth is lost by the second generation, and 90% is gone by the third. Why? A lack of planning.

Protecting generational wealth isn't just about investing wisely or having a healthy savings account. It's about ensuring that what you've worked for is preserved, protected, and passed on with purpose.

Here are three key ways to do that:

1. Don't Rely on a Will Alone

A will is a good start, but it won't keep your assets out of probate—a public, often expensive, and time-consuming process. A revocable living trust is one of the most effective tools for protecting and privately transferring assets to future generations. It also provides critical incapacity planning if you become unable to manage your affairs during life.

2. Be Strategic About Beneficiaries and Tax Exposure

With new rules like the SECURE Act limiting the ability of beneficiaries to stretch IRA

distributions, many families face higher income taxes on inherited retirement accounts. Smart planning—including the use of Retirement Trusts or Charitable Remainder Trusts—can reduce tax burdens and extend the life of inherited assets.

3. Prepare Your Heirs, Not Just Their Inheritance

Wealth often disappears not because of poor financial decisions—but because families aren't prepared to manage it. Use your estate plan to build in education, incentives, or staged distributions. Trusts can be designed to protect assets from divorce, lawsuits, and spendthrift behavior while still supporting your loved ones.

We're not just living through a wealth transfer—we're living through an opportunity. The choices you make today will shape your family's legacy for generations. Don't leave it to chance. If you haven't created (or updated) your estate plan, now is the time.

Families across the country want to protect what matters most, and that all starts with a conversation. Discuss with your estate planning and financial professionals, as well as with your family. Having difficult conversations now may save fighting or poor decision-making in the future. To ensure your wishes are put in writing, and hold a little more weight, consider building or updating your estate plan.

A PERSONAL NOTE FROM KIMBERLY

Dear Clients and Friends,

Thank you for reading our newsletter! We hope you find the insights helpful in enriching your knowledge in the area of estate planning.

Life changes, and your plan should keep up with it too. If it's been a while since your last review, now is a great time to ensure it still aligns with your wishes.

Schedule an appointment today to update your planning and secure peace of mind.

