

Medicaid Fact Sheet: Planning for Funeral and Burial Expenses

Maintaining Medicaid benefits while saving money for funeral and burial expenses is not easy. If you have too many assets, you could lose your Medicaid eligibility. Fortunately, there are ways to plan for these expenses while meeting the Medicaid eligibility asset requirements. General information regarding your options is listed below. Interested individuals may want to consult an experienced Medicaid Planning attorney before making funeral burial arrangements. To obtain contact information for attorneys in this field, call the Lawyer Information and Referral Service at (800) 362-9082 or visit the National Academy of Elder Law Attorneys at www.naela.org.

► **Life Insurance Funded Burial Contract (LIFBC):** As its name indicates, a LIFBC is a burial contract that is funded by your life insurance proceeds. This option allows you to contract for funeral and burial expenses and guarantee payment with your life insurance policy. An irrevocable LIFBC will not affect your Medicaid eligibility.

To obtain a LIFBC:

1. Visit the funeral home of your choice and speak to a Medicaid Planning Advisor. Here, you will be able to discuss your LIFBC options and purchase a life insurance policy.
2. Outline the specific goods and services that the funeral home will provide.
3. Purchase a life insurance policy on your own life.
4. Assign the proceeds of your life insurance policy to the funeral home that is responsible for providing the designated goods and services.

Important notes regarding LIFBC's:

1. To create a proper LIFBC, make sure the contract is in writing and includes the following:
 - a. the name of the insured,
 - b. the name of the funeral provider,
 - c. an itemized statement of the funeral goods and services that are to be covered by the contract,
 - d. an itemized statement regarding nature and extent of any of the funeral provider's price guarantees for goods and services,
 - e. the consequence of surrendering or cancelling the policy, and
 - f. the consequence of changing your assigned beneficiary (your chosen funeral provider).
2. There is no set limit on the monetary value of a LIFBC; however, the LIFBC must be for a reasonable amount. The average funeral costs between \$8,000 and \$10,000. It is recommended that you keep your LIFBC within these limits.
3. LIFBC's transfers can be irrevocable or revocable. The way you transfer the LIFBC can affect your eligibility. It is highly recommended that you *irrevocably transfer* your policy, so it will not be considered an available asset.
 - a. **Irrevocable Transfer:** To preserve Medicaid eligibility, this type of transfer is required. It is called an "irrevocable transfer" because, once the life insurance policy is transferred, the transferor (the insured person) cannot revoke the transfer. In other words, you cannot "take back" the policy if you change your mind. Because you no longer have access to the money, the policy's cash value is not counted as an asset.



- b. **Revocable Transfer:** This type of transfer allows the transferor (the insured person) to revoke or cancel the transfer at a later time. If you change your mind about the LIFBC, you can “take back” the policy. Because this type of transfer allows you to continue to have access to your money, the cash value is counted as an asset.
4. The value of your LIFBC will reduce the total amount of money that you can have exempt in a burial fund. The LIFBC will reduce the excludable burial fund amount (up to \$1,500), dollar-for-dollar. For example, if you have a \$1,000 LIFBC, you can have up to \$500 exempt in a burial fund. Alternative, if you have up to \$750 LIFBC, you can have \$750 exempt in a burial fund.

► **Irrevocable Burial Trusts:** This type of trust allows a Medicaid beneficiary to deposit up to \$4,500 into an irrevocable trust account to pay for his or her funeral and burial expenses. A married beneficiary may set aside an additional \$4,500 in a separate irrevocable burial trust for his or her spouse. To obtain an irrevocable burial trust, meet with a Medicaid Planning Advisor at the funeral home of your choice.

Important notes regarding burial trusts:

1. If a trust is designated as “irrevocable” and it contains \$4,500 or less, it will not count as an available asset for Medicaid eligibility purposes. This means that once you put money into the trust, you no longer have access to the funds.
2. You should designate any interest or profits from the trust as “irrevocable.” If you do not make this designation, trust profits or interest will count as available assets for Medicaid purposes.
3. Be sure to outline the details of the trust in writing.
4. Like LIFBC’s, irrevocable burial trusts reduce the amount that one can have exempt in his burial fund, dollar-for-dollar.



► **Burial Spaces:** This option allows a Medicaid beneficiary to purchase a burial space without affecting his Medicaid eligibility. A burial space is an exempt asset, regardless of its value. To purchase a burial space, contact the funeral provider or cemetery of your choice. Burial spaces can be purchased upfront or through a LIFBC.

The following are exempt for Medicaid asset eligibility determinations:

1. burial spaces, burial plots, crypts, urns, niches, and other traditional repositories for human remains;
2. necessary and reasonable burial space improvements, including headstones, plaques, and markers; and
3. arrangements for opening and closing the gravesite.

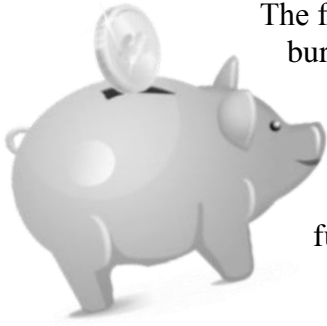
Important notes regarding burial spaces:

1. The exemption applies to a contract to purchase a burial space when the contract creates a present right to the space. However, if the space is paid for in installments, the space is not an exempt asset until the balance is paid in full. Consequently, if you have only made one-half of your installment payments, the space is considered an available asset.
2. Each person may have more than one type of space when reasonable. For example, a burial plot and a mausoleum will not be exempted for the same person.
3. Individuals may also purchase burial spaces for their spouses and immediate family members. Eligible immediate family members include minor or adult children, siblings, and parents. Medicaid beneficiaries can also purchase burial spaces for the spouses of immediate family members. If a beneficiary chooses to purchase burial spaces for immediate family members, the spaces must remain in the beneficiary’s name.

► **Burial Funds:** These funds are deliberately set aside and clearly designated for an individual's burial expenses.

Individuals can have up to \$1,500 in a burial fund, and the fund will not count as an available asset.

The funds can be used for an individual and his or her spouse's burial, cremation, and other burial-related expenses. Medicaid members and their spouses may each have one burial fund. To obtain a burial fund, visit the financial institution of your choice. You can open a new account and request that the account be designated for and labeled for burial expenses. However, you are not required to open a new account. As long as funds are clearly delineated from your other household accounts and labeled as burial funds, Medicaid will not count them as available assets.



Important notes regarding burial funds:

1. If the money in a burial fund is used for any other purpose, the fund will lose its exempt status and will be counted as an available asset.
2. Burial funds must be kept in a financial instrument, like a bank account or trust. If you keep cash in your home for burial expenses, you will not receive the benefit of the burial fund exemption.
3. The amount of burial funds that can be exempt is reduced—dollar-for-dollar—by amounts held in LIFBC's, irrevocable burial trusts, and the face value of whole life insurance policies.
4. Any person wishing to exclude burial funds must be willing provide the fund's location, type, amount of funds, and account number.

► **Life Insurance:** This type of insurance pays out proceeds upon the death of the insured or after a set period of time. Policies with a total face value of \$1,500 or less are excluded assets, regardless of their cash surrender value. To obtain a life insurance policy, contact the insurance agent of your choice to discuss policy options.

Important notes regarding life insurance:

1. If the total face value of your life insurance policies exceeds \$1,500, then the entire cash surrender value of the policies is counted as an available asset.
2. Term life insurance policies are typically not counted as available assets because they have no cash surrender value.

► **Burial Insurance:** This type of insurance is based upon a contract that requires that policy proceeds are to be used for the insured's burial expenses. Burial insurance is not sold in Wisconsin. However, burial insurance policies may be brought into Wisconsin if you move into Wisconsin from another state. If you have an irrevocable burial insurance policy from another state, it will be considered an exempt asset if the policy states that all proceeds must be used for burial expenses.



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