

WHEN A PARENT'S MONEY RUNS OUT

A Simple Guide for Families Navigating Assisted Living & Memory Care

💛 First, Take a Breath

If your parent is in assisted living or memory care and the money is running out... you are not alone.

This is one of the most overwhelming phases of caregiving—and one that almost no one prepares you for.

This guide will walk you through:

- What actually happens next
- How Medicaid comes into play
- The 5-year look-back rule (in plain English)
- How families plan ahead to protect assets like a home

“What happens when mom or dad’s money runs out while paying out of pocket for memory care?”

🗺️ WHAT HAPPENS WHEN THE MONEY RUNS OUT?

Most families start by paying privately for care.

When funds are depleted, the next step is typically applying for Medicaid (not Medicare) to help cover long-term care.

Here’s the reality:

- Assisted living is not always fully covered by Medicaid
- Nursing homes are more commonly covered
- Memory care coverage depends on your state and program availability

👉 Once your parent qualifies financially, Medicaid can begin covering care—but only if all rules are met

THE ORDER OF EVENTS (STEP-BY-STEP)

1. Private Pay Phase

- Savings, retirement, and assets are used to pay for care
- This is often the most expensive stage

2. Spend-Down Phase

- Assets must be reduced to Medicaid limits (often around \$2,000 for an individual, varies by state)
- Money is typically spent on:
 - Care costs
 - Medical needs
 - Home modifications
 - Debt payoff

3. Medicaid Application

- You submit financial records (usually 5 years of statements)
- The state reviews everything carefully

4. The 5-Year Look-Back Review

- Medicaid reviews 60 months (5 years) of financial history
- They are looking for:
 - Gifts
 - Transfers
 - Selling assets below value

5. Approval or Penalty Period

- If everything is compliant → coverage begins
- If not → a penalty period (you must keep paying privately)

👉 The penalty is based on how much money was transferred improperly

THE 5-YEAR LOOK-BACK (EXPLAINED SIMPLY)

This is the part most families don't understand until it's too late.

What it means:

Medicaid checks if your parent:

- Gave money away
- Transferred a house
- Sold assets for less than they're worth

...within the last 5 years.

If they did, Medicaid assumes:

👉 "That money should have been used for care."

★ **And they delay benefits.**

🚫 Common Mistakes That Trigger Penalties

- Gifting money to children or grandchildren
- Adding a child to the deed of a home
- Selling a house for \$1
- Paying family caregivers without documentation

All of these can create a delay in coverage

WHAT ABOUT THE HOUSE?

This is one of the biggest fears.

Important:

- A primary home is often considered “exempt” while your parent is alive (with conditions)
- However...
 - Medicaid may seek repayment later (estate recovery)
 - Rules vary by state

HOW FAMILIES PROTECT ASSETS (PLANNING AHEAD)

One of the most common legal strategies is:

Irrevocable Trust

This is where things shift from reaction → planning.

What Is It?

An irrevocable trust is a legal structure where:

- Assets are transferred out of your parent’s name
- They no longer “own” them directly
- A trustee controls them

The Critical Rule

- The 5-year clock starts when assets are placed into the trust
- If your parent needs care before 5 years passes, penalties can still apply

 Timing is everything

✔ Why Families Use It

When done early and correctly, it can:

- Protect a home
- Preserve savings for family
- Help qualify for Medicaid later

⚠ Trade-Offs

- Your parent gives up control of those assets
- It must be done legally and strategically
- It is **NOT** a last-minute solution

💡 WHAT MOST PEOPLE DON'T REALIZE

- Medicaid planning is often done years before care is needed
- Crisis planning (when already in care) is much more limited
- Every state has slightly different rules

🔗 OFFICIAL RESOURCES (SAVE THESE)

These are trusted, authoritative sources you can reference:

- Centers for Medicare & Medicaid Services (CMS):
<https://www.medicaid.gov>
- Medicaid eligibility & benefits:
<https://www.medicaid.gov/medicaid/eligibility>
- Long-term care overview:
<https://www.longtermcare.gov>
- Benefits and coverage help:
<https://www.benefits.gov>

REAL TALK

Most families don't learn this until they are:

- Already in crisis
- Already paying thousands per month
- Already overwhelmed

You didn't miss something,
this system is just incredibly hard to navigate without guidance.

FINAL THOUGHT

You are doing something incredibly hard.

Navigating care for a parent while trying to protect what they built is not something anyone prepares you for.

But with the right information and support,
you can make informed, confident decisions.

IMPORTANT DISCLAIMER

This guide is for informational and educational purposes only and does not constitute legal, financial, or medical advice. Medicaid rules vary by state and individual circumstances. Always consult with a qualified elder law attorney, financial advisor, or Medicaid planning professional before making decisions regarding asset protection, trusts, or Medicaid eligibility.