



## **Medicaid Compliant Annuity vs. Medicaid Friendly Annuity**

*This article distinguishes the products offered by Krause Financial Services from others.*

**Sept. 8, 2010 - [PRLog](#)** -- With so many annuities for Medicaid planning purposes now being offered by way of insurance agents, financial planners, and insurance companies, I feel that it is necessary to distinguish the products offered by Krause Financial Services from the group.

In recent months the term "Medicaid Friendly Annuity" has been heavily used in the Medicaid Annuity marketplace. It is important to know that Krause Financial Services does not provide Medicaid Friendly Annuities, nor do we recommend that they be used in converting countable resources into an income stream for purposes of establishing Medicaid eligibility.

With a Medicaid Friendly Annuity, seniors are being advised to purchase a tax-deferred annuity which is nothing more than an investment vehicle and a countable resource. The senior is then told that at the time he or she should enter a nursing home, the tax-deferred annuity would be annuitized, thus immediately qualifying him or her for Medicaid benefits.

Whereas a Medicaid Compliant Annuity is a planning tool offered by a limited number of insurance companies, and an even more limited number of insurance agents. The Medicaid Compliant Annuity was designed to convert a spend-down amount into an income stream, and is an immediate annuity that must contain the following provisions:

- it must be irrevocable and non-assignable;
- it must be actuarially sound;
- it must provide payments in equal amounts, with no deferral and no balloon payments; and
- it must name the state Medicaid program as a beneficiary to the extent that medical assistance benefits were provided to the institutionalized individual.

The primary obstacle with a Medicaid Friendly Annuity is that it typically will not contain all the aforementioned provisions upon annuitization. While annuitizing the tax-deferred annuity will convert the product into an immediate annuity, it most likely will be assignable and will not be actuarially sound.

Furthermore, in that the Medicaid Friendly Annuity is typically purchased long before the senior even enters a nursing facility and the cost of care is still unknown, upon annuitization the immediate annuity may provide an inappropriate amount of income.

I have heard countless horror stories from elder law attorneys with clients who were sold Medicaid Friendly Annuities and were forced to surrender the policies in that the product did not meet Medicaid eligibility requirements, thus subjecting the senior to obscene surrender charges. It is extremely important for seniors to exercise caution when considering insurance products advertised as "Medicaid Friendly."

For more information, visit us at [www.medicaidannuity.com](http://www.medicaidannuity.com)

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Krause Financial Services specializes in helping families qualify for Medicaid benefits through the use of Medicaid Compliant Annuities, and Veterans Aid & Attendance benefits through the use of various life and annuity insurance products.

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