

How to Handle an Unexpected Inheritance

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For most people, receiving an inheritance is something good, but for the elderly or a nursing home resident, an inheritance may not be as welcomed. Medicaid (MassHealth in Massachusetts) has strict income and asset limits so an inheritance can suddenly and unexpectedly make the Medicaid recipient ineligible for benefits. Careful planning is necessary to address this new money.

An inheritance is considered income the month it is received. If you are currently receiving benefits, you are obligated to notify the Medicaid agency of the receipt of these funds. Your Medicaid coverage will typically end until such time as you are once again below the asset limit (\$2,000 for a single person or \$130,380 for a married couple).

If it is possible to *properly* spend down this inheritance within the same month it is received, then you typically only lose one month of coverage. If, however, you are unable to spend down the entire inheritance in one month, seeking the advice of a qualified elder law attorney can help advise you on the proper way to spend down the excess money. There are several complex but effective strategies that may be available to allow you to preserve your benefits but still enjoy the benefit of your inheritance.

What you cannot do is gift the newly received inheritance away

(outside of very limited exceptions). I meet with clients who reach out after-the-fact to let me know that they inherited money from a sibling or other relative and since they did not need the funds, they immediately gifted the funds to loved ones who did – they bought cars, helped pay mortgages, paid college tuition, or gifted elaborate vacations for family members. These gifts, though generous, can have dramatic consequences to your future or continued eligibility.

If you or a loved one inherited money, you should seek advice from a qualified elder law attorney today on how best to manage this situation.

The information contained in this article is not intended to make you an expert on estate planning nor is this article intended to replace the need for the advice of a professional. Rather, this article is simply intended to provide a basic understanding of why estate planning is important for everybody and a basic understanding of some of the more common estate planning tools. This article does not constitute legal advice.