

Catastrophic Illness

One of the most significant reasons to have a Catastrophic Illness Trust (CIT) is that everyone should be prepared for a catastrophic illness – especially people with smaller estates.

A catastrophic illness is an illness that is very expensive in relation to the size of the estate, which could financially devastate you.

With an appropriate asset protection trust, the financial outlook is much brighter, and you've set aside funds to actually take care of you or your spouse. However, to plan before a crisis is very important, as there generally is a 60-month "look-back" on transfers, either to your family members or to an irrevocable trust. Early protection of your income and assets is critical to avoiding an unfavorable look-back period.

Planning ahead by using an irrevocable trust to preserve some of your assets helps you avoid the devastating loss of your life savings to a catastrophic illness.

This is particularly important for the smaller estates, as no planning can often result in a loss of assets so critical to your or your spouse's well-being.

By using a Catastrophic Illness Trust, you can still preserve some control and retain some interest in the transferred assets. These advantages are not available when transfers are made outright to individuals.

There are specific planning techniques that can be utilized to complement a Catastrophic Illness Trust beyond outright gifting. This trust also provides asset protection from future creditors by using a "spendthrift" provision.

Advantages of a Catastrophic Illness Trust

- ◆ Possible to protect assets for your care
- ◆ Ability to decide who will receive the distributable trust income
- ◆ Provides protection from the threat of Medicaid "spend-down"
- ◆ Asset protection from future creditors of the Beneficiaries
- ◆ Possible preservation of step-up basis upon death of Trustors with a Power of Appointment planning technique
- ◆ Ability to determine who will pay the taxes on the trust's income
- ◆ Possible Veterans benefit protections

DISCLAIMER

These materials are for informational purposes only and not for the purpose of providing legal or tax advice. Please contact a licensed attorney to obtain advice with respect to any particular question, issue or problem.