Let's take a look at how a Safe Harbor Trust can be used in each of these scenarios.

Uncovered Long-Term Care Costs

The most significant financial threat facing the average American today is suffering a serious illness…without any healthcare coverage. The problem is, if there is no cure for what you are suffering from, or if you need the help of others to manage your day-to-day living, your care will not be covered in any meaningful way by Medicare or other health insurance policies. And for most Americans, the question isn't whether or not they will have to deal with these unexpected costs—the question is when.

An important tool to have at the ready for this scenario is in the protective provisions of a Safe Harbor Trust. The Trust protects assets from being exhausted before a person can qualify for medical and long-term care benefits from Medicaid and the VA systems.

Congress passed a law after recognizing that individuals with small-to-medium estates need to be able to access long-term care without spending down all of their assets. This law acknowledges that without any assets to supplement benefits provided by Medicaid and the VA, individuals will have a poorer quality of life.

You have options when planning to protect yourself from long-term care costs:

- You can buy a long-term care insurance policy, which we discussed in the Financial section, but this may not be an option due to the cost of these policies.
- Another option is to plan around Medicaid and/or VA benefits, but this requires strategic planning and is generally only helpful to those with little to no assets.

Because of these reasons, those with small-to-medium size estates can benefit immensely from the protection offered by a Safe Harbor Trust, especially when it comes to uncovered long-term care costs.

Medicaid and VA Benefits

There are some things to know about VA and Medicaid benefits.

As we learned in the Financial section, both the VA and Medicaid have programs designed to cover long-term care costs. However, these programs are generally available to individuals with very low asset balances, in addition to the other eligibility rules.

The rules behind qualifying for Medicaid and what benefits you receive under that program are different from those of the VA program. Medicaid is considered the more generous of the two.

Under VA benefits, you are also required to use your own household income to cover care costs, which could leave your living spouse without a means of support. There will only be a limited amount to help cover the gap between your care costs and your household income.

In most instances, the steps required to qualify for Medicaid may disqualify you from VA benefits, and vice versa. In some cases, however, it is helpful to qualify for both (if you are able), so it may be in your best interest to speak with an Elder Law Attorney who is knowledgeable about both programs before you make any decisions.

It is also important to recognize that Medicaid is usually more generous with married couples than single applicants. Once a spouse passes away, the living spouse is then considered single, making it important for you to plan ahead and know the rules for both types of application.

Subsequent Marriages

Sometimes it's hard to imagine your spouse being in subsequent relationships after your passing. In these cases, leaving your assets to your spouse in order to provide support after your passing seems like the best route to protect your loved one. This is done under the assumption that the remaining assets will be distributed to heirs that you and your spouse have agreed upon.