

# LWP CONNECTION APRIL 2015

## MEET ME IN ST. LOUIS?

Victoria L. Collier, CELA, Co-founder Lawyers With Purpose

As a Lawyers with Purpose member law firm, I both dread and look forward to each Tri-Annual Practice Enhancement Retreat. What I dread: the time out of the office and the cost of travel for my entire team of nine. What I look forward to: time out of the office, working “on” my business instead of “in” my business, WITH my team.

Prior to LWP, I personally would attend practice development seminars and get all excited and ready to make a huge difference in my practice, only to return to the office and not have the support of the staff. Now, we go together, get excited together and return to implement the plans together. At each retreat we review our prior quarter’s goals, assess our accomplishments and set new goals. Because of each retreat, our law firm and team are stronger than ever.

As an owner of Lawyers with Purpose, I always look forward to the Tri-Annual Practice Enhancement Retreat. Why? Because I see our members thriving and hear from them that each retreat has been better than the last. I am confident that the retreat in June will exceed expectations!

I am especially excited about the focus sessions that really introduce us to new opportunities of practice (Adding Insurance Services to your Law Practice), ways to dig deep, not wide, to enhance our law firm efficiency and increase revenues (Managing the Business of Law), and the WHY day where my entire team can explore what value they bring to the firm, to our clients and to themselves by defining the core values from which they naturally operate. Quite honestly, there are so many excellent focus sessions it will be difficult to decide which one to attend.

You will see what I mean when you review this exciting schedule. Gather your team and join us in St. Louis! You will be glad you did and your business will prosper.

sometimes the  
**SMALLEST STEP**  
in the  
**RIGHT DIRECTION**  
ends up being the  
**BIGGEST STEP**  
of your life.

**TIP TOE**  
if you must, but  
**TAKE THE STEP**



# HOW TO COMPLETELY UNDERSTAND THE RULE OF HALVES

David J. Zumpano, Esq, CPA, Co-founder Lawyers With Purpose

Many Medicaid planning practitioners are aware of the rule of halves, but it is an area of confusion for many attorneys newer to the practice. Where does the rule of halves come from? Is it codified? Well, sort of. To understand the rule of halves you have to first understand the Medicaid law and then understand math.

42 USC 1396p (c) (1) (e) provide a penalty period shall be imposed on any individual who transfers assets for less than its fair market value (uncompensated transfer). The law further states the penalty shall be calculated by taking the amount of the uncompensated transfer and dividing it by the average cost of one month's nursing home in the region in which the Medicaid applicant resides. That is all the law states, so the question becomes where does the rule of halves come from? That's where math comes in. In essence in light of the law identified, if you take any amount of money and divide it by two, the half you gave away will create a penalty period equal to what the half kept will pay.

If an individual has \$100,000.00 of excess assets, and gives half away, the \$50,000.00 transfer will create a penalty period that will always equal the period the retained amount will pay thru. Assuming a regional divisor of \$5,000.00, the penalty on the \$50,000.00 transfer would be 10 months, and the \$50,000.00 retained would thereby pay 10 months in a nursing home (\$5,000.00). While the rule of halves, in its purest form, makes sense in practice, it's a little more complicated because one of the fallacies in using rule of halves, is it presumes that the regional divisor actually equals the cost of care (even by law it supposed to, it often doesn't).

In the same example if you gave away \$50,000.00 in a location the divisor is \$5,000.00, it would create a 10-month penalty period, but, if the cost of care was actually \$6,000.00, then the \$50,000.00 retained would not pay through the 10-month penalty period (you would need \$60,000). The federal Medicaid law requires the state to publish at least annually, the average cost of one month's private paid nursing home (regional divisor). Each state however, has their own way

to calculate this and most facilities are above (rarely below) that regional rate. A few states (Illinois for example) have made the divisor the actual cost of care at the facility where care is being provided. That negates any concerns about the effectiveness of the rule of halves calculations.

Finally, when planning using the halves calculation, one must also consider the income of the Medicaid recipient. When a cost of care in excess of the divisor, creates in a shortfall of retained funds needed to pay through any penalty period, failing to take income into account, often creates excess resources for the client at the end of the penalty period, which will render them ineligible.

To illustrate, assume again an individual had \$100,000.00 excess assets and transferred \$50,000.00 with a monthly divisor was \$5,000.00. The \$50,000.00 transferred would create a 10-month penalty and the \$50,000.00 retained would pay through the 10 month penalty. All other things being the same, at the end of 10 months, with the recipient in a nursing home, they're not spending their monthly income (assume \$1,200.00 Social Security) the client would have accumulated an additional \$12,000.00 (\$1,200.00 a month times 10 months) and have excess resources and therefore not be eligible for Medicaid until additional spend-down and penalty may be created.

Proper planning utilizing the rule of halves assumes an analysis of the actual cost of care, the actual regional divisor and the actual income of the recipient are considered. The LWP Medicaid Qualifying software automatically calculates the optimal client assets to transfer and retain considers the actual cost of care, the regional divisor and the clients actual income.

## THANK YOU...



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We would like to thank DocuBank for sponsoring our Tri-Annual Practice Enhancement Retreat. To learn more about DocuBank you can visit their website at [www.docubank.com](http://www.docubank.com). Lawyers with Purpose attorneys will also enjoy a special discounted rate. Any of the thousands of attorneys who use DocuBank will tell you that they enjoy the peace of mind that DocuBank brings their clients as well as the peace of mind DocuBank provides for their firm is well worth the price for the service.



## MEMBER OF THE MONTH

Mitchell Lansky

### What is the greatest success you've had since joining LWP?

This is hard to answer if I were to narrow it to just one success. Setting up several clients with RLT that places them right where they want to be, provides for a lot of satisfaction. Or helping a client, after a nursing home completely messed up a Medicaid application and then we get it all straightened out. Finally, building lasting relationships with several Financial Planners helps provide a nice road to the future.

### What is your favorite LWP tool?

Once again this is hard to narrow down. Putting into effect the RMS system has not been that easy for me, but working my way through it has provided me with a great tool to build upon. However the LWP software is an invaluable component to allow other team members to be part of the process.

### How has being part of LWP impacted your team and your practice?

This is two-fold (not surprising based upon my earlier answers). First LWP has provided a way for me to build a team and incorporate them into my practice. Secondly, LWP has given me a way to not only build my practice but also to operate a business instead of just practicing law.

## NOTABLE EVENTS

### Monthly

Marketing Roundtable  
2nd Friday-12:00 Noon EDT  
Veterans VA Tech Training  
3rd Thursday-3:00 PM EDT  
Veterans Roll Call  
3rd Thursday-4:00 PM EDT  
Veterans Marketing Moments  
3rd Friday-3:00 PM EDT

### Live Programs

Practice With Purpose  
June 1-3 St. Louis MO  
Tri-Annual Retreat  
June 3-5 St. Louis MO

### Weekly

Live Case Study Review  
Every Monday-4:00 PM EDT

To register for an event, visit our events page  
[LawyersWithPurpose.com/Events-for-Lawyers.php](http://LawyersWithPurpose.com/Events-for-Lawyers.php)



## KNOWING, COMMUNICATING AND DELIVERING YOUR VALUE

The Tri-Annual Practice Enhancement Retreat is right around the corner and will bring together the most brilliant minds in the estate planning arena for five full days!

We would say "Save The Date," but what you really need to do is grab your spot NOW. You can either hear about the event after it's over, or you can join your community of LWP members and their teams "front and center" and take advantage of this opportunity to participate, network and learn in the room.

For the full agenda and registration form visit: [retreat.lawyerswithpurpose.com](https://retreat.lawyerswithpurpose.com).

- Practice With Purpose: Monday, June 1 – Wednesday, June 3
- Train The Trainers Speaker School: Monday, June 1 – Tuesday, June 2
- How To Protect Your Stuff In Three Easy Steps – Wednesday, June 3
- Tri-Annual Practice Enhancement Retreat – Wednesday, June 3 - Friday, June 5

"Close your eyes & jump! The LWP Process will catch you." ~ Doug O.

"Hard to explain, but it is a way to practice the law, and have a life that can be all you want it to be." ~ Connie A.