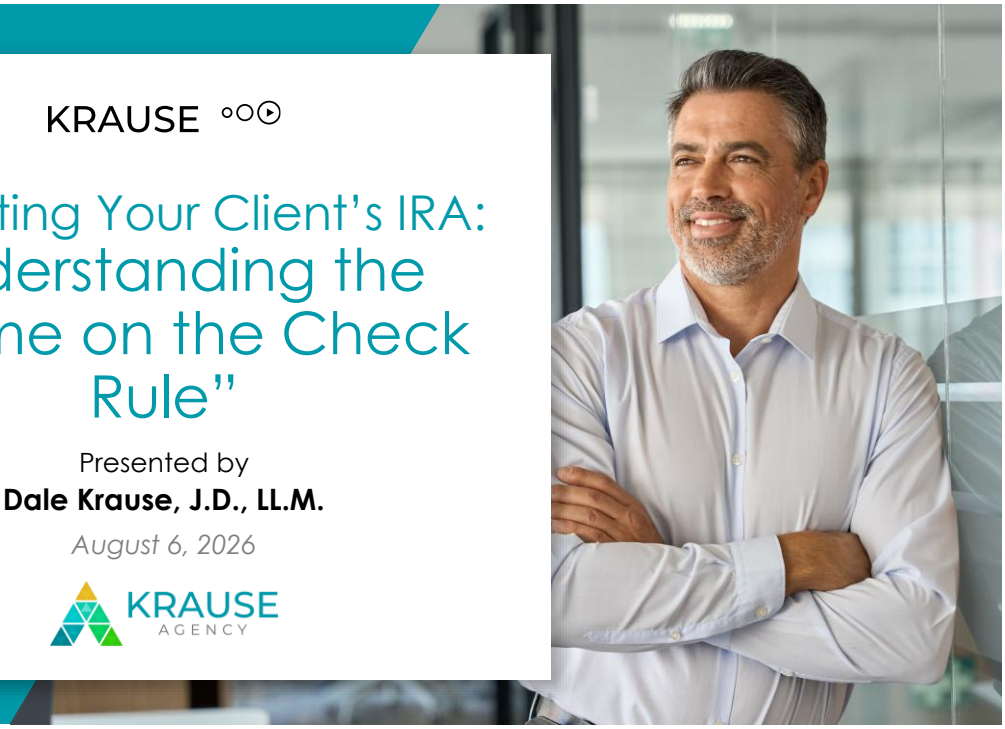
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Protecting Your Client's IRA: Understanding the "Name on the Check Rule"



Presented by
Dale Krause, J.D., LL.M.

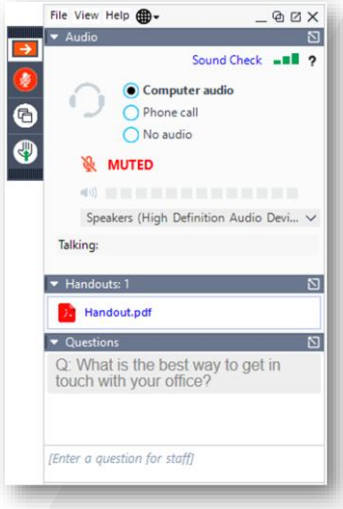
August 6, 2026

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Questions & Handouts

- Download **today's handouts** from the GoToWebinar toolbar.
- Don't forget to **complete the survey** at the end of the presentation!



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About Us

Krause Agency is a national wholesaler of insurance products tailored to the senior market. With a focus on asset preservation solutions, we provide products, training, and support to agents and advisors helping clients plan for retirement and long-term care.



30+
Years of Experience

400+
Clients Helped Monthly

1,300+
Active Agents

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Today's Goals

1. Identify the impact IRAs have on Medicaid eligibility.
2. Explore how a Medicaid Compliant Annuity can be used to protect IRAs.
3. Discuss the transfer processes and how to use this strategy in practice.



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The Medicaid Program

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About Medicaid

- Medicaid is a **joint federal and state-funded program** meant for those with limited means.
- Rules vary by state, and applicants must meet **specific criteria** to qualify, both financial and non-financial.
- In a nursing home, Medicaid pays for a person's custodial care.
- Qualifying for Medicaid benefits can provide much-needed financial relief to those receiving long-term care.

$9,581/Month

Average cost of a semi-private room in a nursing home

2025 CareScout Cost of Care Survey

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Treatment of Assets

Institutionalized individuals are allowed to retain **$2,000** of countable assets.

The community spouse is allowed to retain up to **$162,660** of countable assets.

Countable Assets

- ✓ Checking, saving, and other bank accounts
- ✓ Stocks, bonds, and mutual funds
- ✓ Additional real estate and vehicles
- ✓ Cash value life insurance
- ✓ Deferred annuities

Exempt Assets

- ✓ Primary residence
- ✓ One vehicle
- ✓ Personal and household items
- ✓ Small whole life insurance policy
- ✓ Funeral expense trusts

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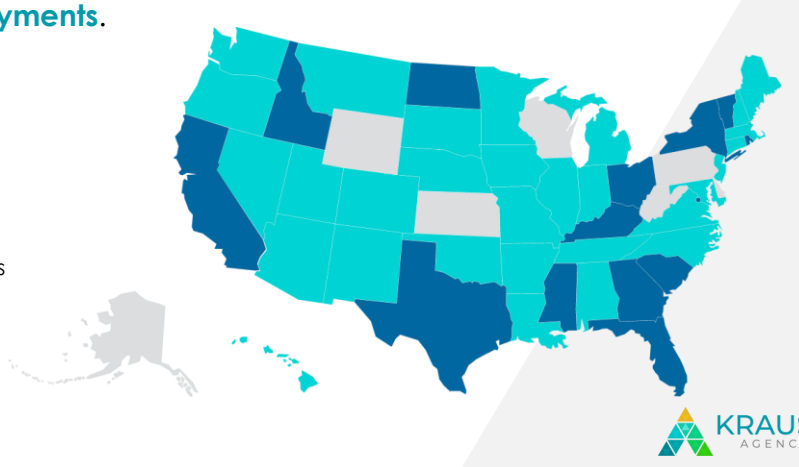
What About IRAs?

- Most states treat IRAs as **countable assets** for both spouses.
- Some states will only consider the account exempt if the owner is taking **periodic payments**.

IRAs of both spouses are countable

IRAs of the CS are exempt

IRAs of both spouses are exempt*



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Can Assets Be Given Away?

- **No** – Medicaid will look back over the previous five years to see if an applicant transferred any assets for less than fair market value.
  - *Transfers of this nature are also known as divestments or gifts.*
- If transfers were made, the applicant will be subject to a period of ineligibility known as the **penalty period**.
- The length of the penalty period is based on the amount transferred and a state-specific **Divestment Penalty Divisor**.

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Accelerating Medicaid Eligibility

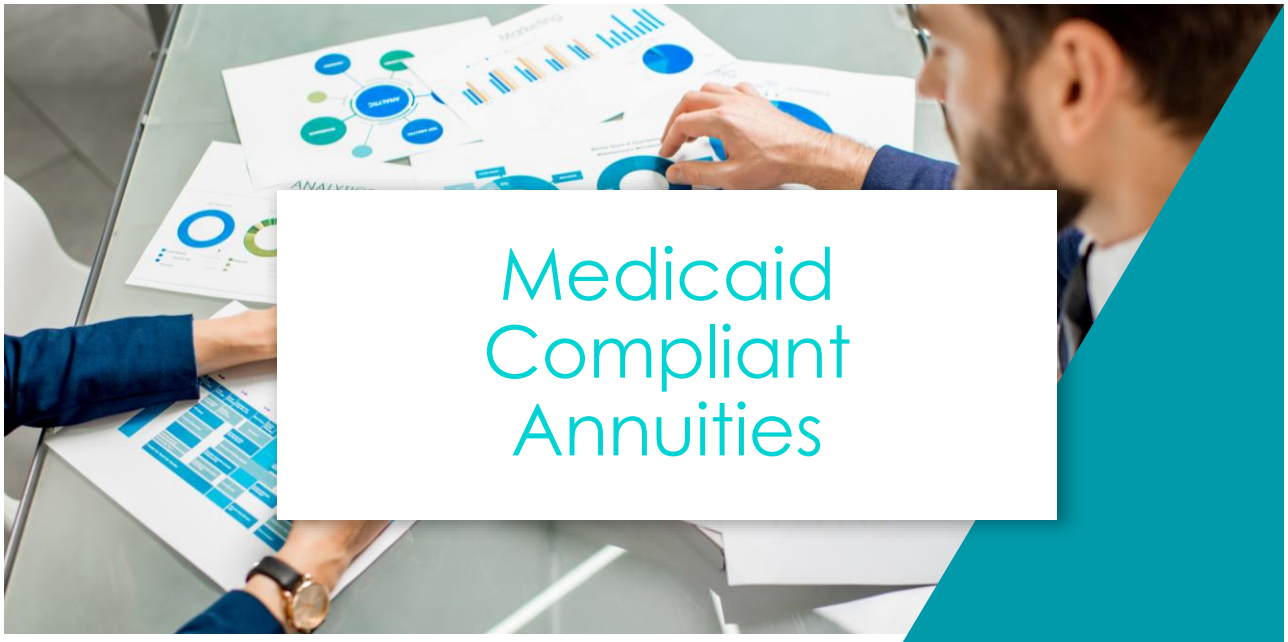
- To accelerate eligibility, a Medicaid applicant or their spouse can **spend down their excess countable assets** by:
  - *Paying off their mortgage, credit card debt, and other bills*
  - *Purchasing or improving exempt assets like the family home, a new car, household furnishings, etc.*
  - *Purchasing a funeral expense trust*
- The problem? If your client owns a countable IRA, they will first have to **liquidate** the account in order to use any of these methods.

That's where a Medicaid Compliant Annuity comes in.

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Medicaid Compliant Annuities

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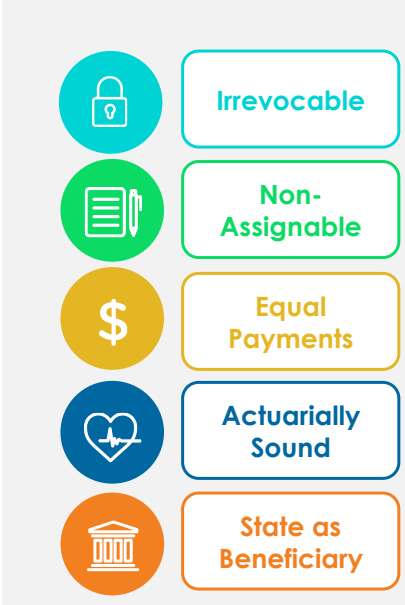
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Medicaid Compliant Annuities

- A Medicaid Compliant Annuity (MCA) is a **single premium immediate annuity** with added restrictions to meet Medicaid's **five main requirements**.
- An MCA converts excess countable assets into an income stream with zero cash value.
- It can be funded with assets such as **IRAs**.

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Why Use an MCA?

- The transfer of an IRA to a Medicaid Compliant Annuity is **not a taxable event**.
- Instead, the funds are taxed as payments from the MCA are made within each calendar year.
- This allows your client to spread any tax liability over the term of the MCA.

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Transferring an IRA to an MCA

- The transfer of an IRA to an MCA is not a taxable event when funded properly.
- The funds are taxed as payments from the MCA are made within each calendar year, allowing your client to spread any tax liability over the term of the annuity.
  - *Note: The entire payment from the MCA is taxable.*
- There are two options for transferring the funds:
  - **Trustee-to-Trustee Transfer**
  - **60-Day Rollover**

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Trustee-to-Trustee Transfer

- The owner completes additional paperwork with their annuity application.
- Then, the insurance company issuing the MCA obtains the funds directly from the current IRA custodian.
- The client will not receive a 1099-R.
- There is **no limit** on the number of Trustee-to-Trustee Transfers the client can enact, making it a better option for clients owning multiple accounts.



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60-Day Rollover

- The owner contacts the current IRA custodian directly and requests a liquidation of the account without withholding taxes.
- The client will receive a check and has 60 days to reinvest the funds into the MCA.
- The client will receive a 1099-R the following year.
- **Note:** The IRS limits 60-Day Rollovers to once every 365 days.



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"Name on the Check Rule"

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The "Name on the Check Rule" Strategy

- If the institutionalized spouse owns an IRA, it **cannot be transferred** to an IRA-MCA owned by the community spouse.
- However, the community spouse may be named the **payee**.
- The "Name on the Check Rule" is based on a Medicaid guideline used to determine to whom income belongs.
  - 42 U.S. Code § 1396r–5(b)(2)(A)(i) states:

> *"If payment of income is made solely in the name of the institutionalized spouse or the community spouse, the income shall be considered available only to that respective spouse."*

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How It Works

- The "Name on the Check Rule" strategy may be used to **annuitize the IRA of an institutionalized spouse** and make the income payable to the community spouse.
- The community spouse is the person whose **name is on the check**.
  - *Therefore, for Medicaid purposes, the income only belongs to that spouse.*
- The tax liability still belongs to the institutionalized spouse, as they are still the owner of the contract.
- Because the institutionalized spouse is the owner of the contract, the **community spouse may be named primary beneficiary** ahead of the state Medicaid agency.

Considerations When Using This Strategy

- Plan conservatively and use the owner's **full Medicaid life expectancy** as the contract term.
- Opt for **physical, paper checks**, rather than electronic payments.
- If the couple has low monthly income and **qualifies for an income shift under the MMNA rules**, this strategy is not necessary.
- If the **value of the IRA is small** enough, it may be more efficient to liquidate the account.
- Always **consult with a tax expert** before proceeding.



Case Study

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Meet Kristine & Martin

- Kristine (83) was recently diagnosed with Parkinson's and must enter a nursing home.
- Her husband Martin (83) is worried about the monthly bill as well as the tax consequences if Kristine liquidates her $130,000 IRA.

Cost of Care
$10,500

Spend-Down
$238,000
Including Kristine's $130,000 IRA

Martin's Income
$2,500

Kristine's Income
$2,400

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Purchase Two Separate MCAs

- Martin works with an advisor to **spend down the couple's excess assets** by purchasing two Medicaid Compliant Annuities:
  - *One IRA-MCA owned by Kristine but made payable to Martin with a term based on her Medicaid life expectancy.*
  - *One MCA owned by and made payable to Martin based on a term of his and his advisor's choosing.*

Tax-Qualified Premium: **$130,000**	Term: **93 months**	Monthly Payment: **$1,410**
Owner: **Kristine**	Payee/Primary Beneficiary: **Martin**	Secondary Beneficiary: **The State**

Non-Qualified Premium: **$108,000**	Term: **36 months**	Monthly Payment: **$3,010**
Owner/Payee: **Martin**	Primary Beneficiary: **The State**	Secondary Beneficiary: **Children**

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Apply for Medicaid

- With the purchase of the MCAs, Martin and Kristine's spend-down amount is eliminated and Kristine is **immediately eligible** for Medicaid.
- With the MCA payments, Martin's monthly income increases to **$6,920**.

Martin's Original Income:	$2,500
Kristine's IRA-MCA Income:	+ $1,410
Martin's MCA Income:	+ $3,010
Martin's New Income:	**$6,920**

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Calculate the Medicaid Co-Pay

- Kristine's Medicaid co-pay will equal her total monthly income minus her Personal Needs Allowance.

Kristine's Income:	$2,400
Personal Needs Allowance:	- $50
Medicaid Co-Pay:	**$2,350**

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Economic Results

- Kristine achieves immediate Medicaid eligibility. With a Medicaid co-pay of $2,350, they experience a **monthly savings of $8,150** when compared to the original cost of care of $10,500.
- The couple **preserved 100% of their spend-down amount** by using Medicaid Compliant Annuities.
- The couple **avoids the tax consequences** of liquidating Kristine's IRA and prevents the MCA payments from being part of her monthly Medicaid co-pay.
- As Martin receives the annuity payments, he may **keep those funds beyond the original resource allowance** and put those dollars back to work through various reinvestment strategies.

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Questions

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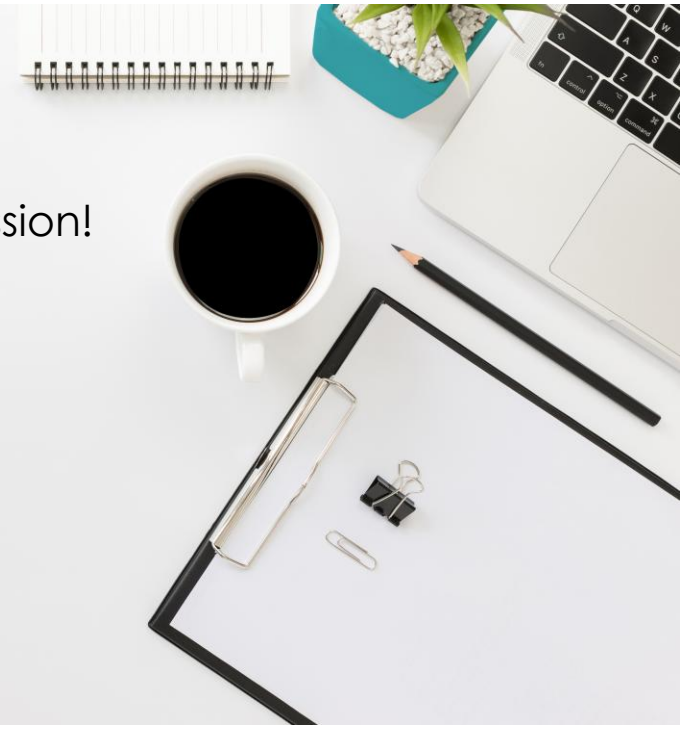
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Thank you

for attending today's session!

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