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## **RECORD RETENTION - A GOOD HABIT TO CULTIVATE**

The implementation of the new Medicaid rules makes record retention and retrieval a major concern to Medicaid applicants. Under the *prior* rules, the vast majority of applications were supplemented with three years worth of financial records: monthly statements of all bank and brokerage accounts, canceled checks and receipts for certain transactions, documentation reflecting income, tax returns and a whole host of other records. Now, with the implementation in New York of the changes contained in the Deficit Reduction Act of 2005, the broadening of the disclosure period from three to five years under all circumstances will present significant challenges to the applicant and his or her family.

The practical effect of this change is that it is now more important than ever to maintain financial records. The alternative is not pretty. Answer this question: If asked, could you provide your family with copies of all of your tax returns, passbooks and statements for your bank, brokerage, annuity and retirement accounts for the past five years? Even if your answer is yes, does your family know how to find these documents if you become incapacitated? If your answer is no, how much work will it be for your family to recreate those records?

Time after time, we are retained by families to prepare the Medicaid application for an incapacitated family member. All too often, not only don't they have the documentation necessary to support the application, they have no real knowledge or understanding of the finances or financial history. They do not know how many accounts exist, where they are maintained or the value of the accounts. Dealing with the issues that arise when a family member is ill is difficult enough. The pressure to locate all of the financial information

which is required to support the Medicaid application can be completely overwhelming. And now that the look-back or disclosure period has been increased to five years, we anticipate that the problems will be compounded.

There is a simple solution which will minimize the burden on your family. We all hope that we will not become ill or require long-term care. **But organized record retention is a good habit to cultivate -- even for the young and healthy!** Purchase a three-ring binder, a three-hole punch and dividers. Create a separate section for each account that you own. Each month, punch holes in the statements you receive and store them in the binder in the section for that particular account. At the end of the year, store the binder, purchase a new one and repeat this process. Repeat this process each year. If Medicaid planning is the sole issue, after the sixth year, you can discard the contents of the oldest binder and reuse it. Most accountants, however, recommend that you retain your records for a period of seven years.

Organizing and storing your financial records *as you receive them* will take minimal time and effort. It will not only save countless hours and the expense of having to recreate the records in the event of incapacity, but it will also significantly reduce the stress on your family.

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