

Mr. and Mrs. Smith own the following policies:

Policy	Owner	FV	Insured	CSV	
1	Mr.	\$1,000	Mrs.	\$500	
2	Mr.	800	Mrs.	300	
3	Mr.	1,500	Mr.	1,000	Exclude
4	Mr.	2,000	Son	1,000	
5	Mrs.	1,500	Mr.	500	Exclude
6	Mrs.	2,000	Mrs.	1,000	

CSVs for policies 1 and 2 are **not** excludable under this policy for Mr. Smith. He owns both policies. They insure the same person. The combined FVs exceed \$1,500.

CSV for policy 4 is **not** excludable under this policy for Mr. Smith. The FV exceeds \$1,500.

CSV for policy 6 is **not** excludable under this policy for Mrs. Smith. The FV exceeds \$1,500.

Exceptions: Do **not** count the face value of:

- Term insurance that does **not** generate a CSV.
- Burial insurance. Burial insurance is an insurance policy whose terms prevent the use of its proceeds for anything other than payment of the insured's burial expenses. A policy is not burial insurance if the policy has a CSV the owner can access. A policy used for "Life Insurance Funded Funerals" below is not burial insurance. Michigan does **not** have burial insurance, but a person from another state could have such insurance.
- Endowment policies. **An Endowment policy** is a policy which enables the insured to accumulate a sum of money payable to him at a date named in the policy (the maturity date). The policy says whether the money is paid over time or all at once. The policy matures on the maturity date. An endowment policy is **not** life insurance. Because the applicant gives up the rights to control the money until the maturity date, a non-matured endowment policy must be considered a divestment. SEE PEM 405.

FUNERAL PLANS

SSI-Related MA Only

Funeral plan refers to the prearrangement for cemetery and/or funeral goods and services. Normally, the plan is established using one or more of the following:

- Burial fund.

- Purchase of burial space.
- Prepaid funeral contract.
- Life insurance funding.

Burial Fund Exclusion

SSI-Related MA Only

A limited amount of certain types of assets a person has clearly designated to pay for burial expenses are excluded as a burial fund. See below for information about:

- Types of Assets.
- Burial Expenses.
- Clearly Designated.
- Not Commingled.
- Amount Excluded.
- Misuse of Fund.

See "EXHIBIT I" of this item for examples of this exclusion.

Types of Assets Assets under the following headings in this item can be a burial fund:

- "CASH".
- "INVESTMENTS".
- "LIFE INSURANCE".
- "Prepaid Funeral Contract".

Other types of assets (example: real property, vehicles, livestock) may **not** be a burial fund.

Burial Expenses Expenses that qualify for the burial fund exclusion are generally those related to preparing a body for burial and any services prior to burial. Examples are:

- Services of funeral director and staff.
- Transportation of the body.
- Embalming.
- Cremation.
- Clothing.
- Cost of guest registry book.
- Cost of obituary.
- Flowers **not** displayed at gravesite.
- Cleric's honorarium if no services at gravesite.
- Burial space items that do **not** meet the "held for" test (see under "SSI-Related MA Burial Space Exclusion")

Note: Luncheons or similar services do not meet the definition of a burial fund expense as it is not related to the preparation of the body for burial. Do not certify a DHS-8A with such an expense and do not consider it as an allowable burial fund expense item.

Clearly Designated	<p>The asset must be clearly designated. The designation can be on the asset (example: title on a bank account, prepaid funeral contract) or on a signed statement from the client. The designation must include the following information:</p> <ul style="list-style-type: none"> • Value and owner of the asset. • Whose burial the fund is for. • Date the funds were set aside for the person's burial. • Form in which the asset is held (example: bank account, life insurance).
Not Commingled	<p>Burial funds may not be commingled with any assets except excluded burial space assets (see <u>"SSI-Related MA Burial Space Exclusion"</u> below.)</p>
Amount Excluded	<p>Exclude up to \$1,500 for each qualified fiscal group member and/or spouse. In addition, exclude accumulated interest and dividends.</p> <p>Reduce the \$1,500 per person maximum by the following:</p> <ul style="list-style-type: none"> • The face value of excluded life insurance policies (including term insurance) when the person is the insured and: <ul style="list-style-type: none"> •• If an adult, the policy is owned by the person or the person's spouse. •• If a child, the policy is owned by the child, the child's parent or the parent's spouse. • The principal amount (not accumulated interest or dividends) held in an irrevocable prepaid funeral contract for the person's burial expenses (see above). Do not count the identifiable cost of burial space assets (see <u>"Burial Space Defined"</u> below.) • The cost of burial expenses (see above) identifiable in a life insurance funded funeral plan that was irrevocably transferred (see <u>"Life Insurance Funded Funeral"</u> and <u>"Life Insurance Irrevocably Transferred"</u> below). • The face value of burial insurance on the person. See <u>"LIFE INSURANCE"</u> above for the definition of burial insurance. <p>Count only the original principal amount and any additions to the principal to determine if the maximum limit has been reached. Do not count accumulated interest and dividends.</p> <p>Note: The principal amount of a life insurance policy is the cash surrender value (CSV) of the policy, not the face value. Increases in the CSV count against the limit. Increases in the CSV above the person's burial fund limit are countable as the policy owner's assets.</p>

Misuse of Fund Count the amount of an excluded burial fund used for another purpose **while the person was an MA recipient** as unearned income for one month. The month must be far enough in the future so that any negative action pend period would end before the month begins.

Exception: Do **not** do this if the value of countable assets plus the misused funds were within the asset limit for the month the misuse occurred.

Burial Space Defined

SSI-Related MA and AMP

A **burial space** is a(n):

- Burial plot, gravesite; and
- Crypt, mausoleum; and
- Casket, urn, niche; and
- Other repository customarily and traditionally used for the deceased's bodily remains; and
- **Necessary and reasonable** improvements or additions to or upon such spaces including:
 - Vaults; and
 - Headstones, markers or plaques; and
 - Burial containers; and
 - Opening and closing of the gravesite; and
 - Contracts for care and maintenance of the gravesite.

Note: Reasonable and necessary are those items required by the cemetery.

- Flowers if displayed at gravesite.
- Cleric's honorarium for service at gravesite.

Note: Of the items that serve the same purpose, exclude only one item per person.

Example: Exclude a cemetery lot and casket for the same person, but not a casket and an urn.

Value of Burial Space

SSI-Related MA and AMP

The value of a burial space item is its equity value. Equity value is fair market value minus the amount legally owed in a written lien provision.

**SSI-Related MA
and AMP Burial
Space Exclusion****SSI-Related MA and AMP**

Exclude **one** burial space **held for** (see below) each of the following:

- Each qualified fiscal group member.
- Whether by blood, adoption or marriage, the member's:
 - Parents, and
 - Minor and adult children, and
 - Siblings
- The spouse of each person listed above.

For a member's relatives only by marriage, apply the exclusion only if the marriage has **not** ended by death or divorce.

Burial space items in a prepaid funeral contract must be identified and valued separately from non-burial space items to be excluded.

If the contract shows the purchase of a specified burial space at a specified price, determine whether such space is **held for** the client or member of the client's immediate family. If the space is held for the individual, determine if the contract is irrevocable or revocable. If irrevocable, it is not a resource. If the contract is revocable, it is an excludable resource. The burial space must continue to meet the **held for** criteria to be excluded.

Held For. A burial space is held for an individual when someone currently has:

- Title to and/or possesses a burial space intended for the individual's use (example: has title to a burial plot, owns a burial urn stored in the basement for his own use).
- A contract with a funeral service company for specified burial spaces for the individual's burial (i.e., an agreement that represents the individual's current right to the use of the items at the amount shown).

Until the purchase price is paid in full, a burial space is **not held for** an individual under an installment sales contract or similar device if:

- The individual does **not** currently own the space,
- The individual does **not** currently have the right to use the space, and
- The seller is **not** currently obligated to provide the space.

Until all payments are made on the contract, the amounts paid might be considered burial funds. See "Burial Funds Exclusion" above.

Prepaid Funeral Contract**SSI-Related MA and AMP**

A prepaid funeral contract means a contract requiring payment in advance for funeral goods or services. Contracts may be revocable or irrevocable.

- See "Revocable Prepaid Funeral Contract Exclusions and Value" below if the contract is revocable.
- See "Irrevocable Prepaid Funeral Contracts" below if the contract is irrevocable.
- See PAM 805 about making Michigan contracts irrevocable.

Revocable Prepaid Funeral Contract Exclusions and Value**SSI-Related MA and AMP**

Funds in a revocable prepaid funeral contract might be excludable using the "Burial Fund Exclusion" and/or the "SSI-Related MA Burial Space Exclusion" above.

The countable amount of the contract is the amount remaining on deposit after:

- Those exclusions, and
- Any commission or fees that would be charged upon withdrawal.

Exception: Exclude only burial space items for **AMP**. There is no burial funds exclusion.

Irrevocable Prepaid Funeral Contracts**LIF, G2U, G2C, SSI-Related MA and AMP**

Funds in an **irrevocable** prepaid funeral contract are unavailable and thus are **not** counted.

Funds in a Michigan contract (DHS-8A, Irrevocable Funeral Contract Certification) certified irrevocable are excluded.

Life Insurance Funded Funeral**SSI-Related MA Only**

A funeral plan can be funded using life insurance. A person purchases a life insurance policy and directs the proceeds to be used to pay for his funeral. In addition, the person might irrevocably/permanently transfer ownership of the policy to:

- A trust, or
- A funeral director who then transfers ownership to a trust.

Note: An annuity can be used in the same way to fund a funeral plan.

Proceeds of a life insurance policy means the face value of the policy plus any additions payable at maturity or death. Proceeds are reduced

by the amount of outstanding loans against the policy and "Accelerated Life Insurance Payments" (see PEM 500).

A funeral plan funded with life insurance is **not** a prepaid funeral contract per PAM 805.

Life Insurance Not Irrevocably Transferred

SSI-Related MA Only

If a person has directed the proceeds of a life insurance policy be used to pay for his funeral, but has **not** irrevocably transferred ownership, the policy is treated as life insurance. See "LIFE INSURANCE" and "Burial Fund Exclusion" above.

Life Insurance Irrevocably Transferred

SSI-Related MA Only

Use the following when a person directs that the proceeds of a life insurance policy be used for his funeral **and** has **irrevocably** transferred ownership of the policy. Do this even if the person retains the right to change funeral providers, items or services.

- Do **not** count the cash surrender value of the policy as an asset effective the month of transfer.
- Do not count the funeral contract as an asset.
- Do not apply policy in PEM 401, Trusts - MA.
- Do not consider the ownership transfer as divestment when:
 - The proceeds are still to be used to pay the insured's funeral expenses, and
 - The value of the goods and services contracted for at least equals the cash surrender value of the insurance, and
 - The new owner **cannot** use the cash surrender value of the insurance policy for himself.

Note: If the value of the goods and services contracted for is less than cash surrender value of the insurance, the difference is transferred for less than fair market value.

LIVESTOCK

SSI-Related MA Only

Exclude farm animals used for personal consumption. Exclude family pets.

Other livestock might be excluded as an employment asset. See "EMPLOYMENT ASSET EXCLUSIONS" in this item.