

Advance Planning Considerations for Modelers or Collectors

Let's pause to focus on what lies ahead for us all - the end of the line. Eventually we will pass from this life. The trick is to exit gracefully. Serious decisions and actions must be taken way in advance so we can protect our loved ones, our money, and our collections. Tales of woe from fellow members and their families illustrate quite well what we're talking about. Fore-warned is fore-armed.

Horror story #1. The B&O RR Historical Society had a superb modeler who was well known to many in the model railroad industry. He was a "go-to guy" that brass manufacturers sought out when they needed info on motive power or rolling stock of the B&O and other roads. He was renowned as a machinist and accomplished in other areas. Like all of us, he didn't expect to die suddenly, or so soon. But he did. And it was a mess. One member had loaned him expensive metal dies of B&O passenger car-sides. There was no documentation of the loan or any markings on the dies to indicate ownership (a simple peel-n-press return mail label works). When he passed, the dies became part of his estate - and the actual owner was left out in the cold. Another member had loaned many 35mm slides of passenger cars. All the books, models, equipment, photo's, slides, the dies included, were now at the mercy of a daughter with no idea what the stuff even was, who it belonged to, its value, and a legal system that follows exacting probate requirements. There were no written directives to tell the heirs and legal system what to do with a lifetime collection of railroad materials. A strong legacy was cast to the winds. A high bidder got his books, another his models, and only by some magic did the B&O Museum get his paper artifacts. For heaven's sake, don't let this happen to your family, your friends and your collections. Proper planning while you are well can prevent such a disaster.

First, state your wishes for all of your assets, including your collections (models, railroadians, slides, documents, negatives, photographs, etc) in writing, in a will. Lawyers can draw up a will for a couple of hundred dollars. Only large complex wills are expensive. Call and ask lawyers what it costs, shop around, they don't mind that you call. Many of us have heard tragic tales of what happens when a guy dies and a family dispenses with "Gramp's silly old railroad junk." Many collections of lanterns, locks, historical items, archival papers, and brass loco's have been sold to "dealers" for pennies on the dollar. Wonderful old paper or photo collections have even been relegated to dumpsters. DON'T let this happen to you. This is YOUR collection. Think NOW. What should become of it when I pass? Don't let your widow or offspring get taken by slick-talkers who make fat livings on the estates of others by offering pennies on the dollar for superb railroadians collectibles and exquisite models.

Second, if you loan things to others or borrow from others, mark them, and execute a written loan agreement. This assures the item returns to its rightful owner if either passes away. This also applies to collections of model trains, many of which (brass especially) have been good investments. The \$79.00 Akane models of the 1960's or 1970's now fetch hundreds of dollars in the open market.

It pains us to see tragic endings like the true story above. No one cares what your wishes are for your models or other collection(s); just be sure to earmark it for distribution, auction or any way you wish. Many collections are put to good use at museums, either as archival additions or as fund raisers.

Horror story #2. The Tragedy of Long Term Care (LTC). This one is about paying for LTC, mostly nursing home care. Medicare does not pay for LTC. Medicare may pay up to 90 days of nursing home care provided you meet a number of their criteria, but even so, after 90 days you're on your own to cover LTC costs that now average \$150.00 - \$220.00 per day, or \$1000.00 - \$1500.00 per week.

Medicaid may pay for LTC **if** you medically qualify and **if** you spend down your net worth to \$2500.00 (the price of one good brass articulated model). Rules on Medicaid vary between states, but generally you must sell your assets and spend the cash until you have only about \$2500 left, and only then will Medicaid help you. Medicaid allows you to prepay funerals and not count that as part of the \$2500.00, but that's little consolation. Your state can put a lien on your house while your spouse lives in it. You have to be a poverty case before Medicaid helps you, i.e., you have to be nearly bankrupt before Medicaid steps in. This situation is called "spending down to Medicaid" and a lot of people get caught in this trap. You need good sound legal & financial advice to avoid this disaster to your wealth.

There are ways around the trap if you plan ahead. One way to avoid Medicaid impoverishment is with long-term care insurance (LTCI), which offer varying coverage that can extend for years, even for life. The average woman is in a nursing home for 2 years and the average man for 4 years. Can you afford \$60,000 - \$90,000 per year for nursing home care? Doubtful. Can you afford \$2500 per year for LTCI? Probably. LTCI is sold by many companies. Instead of working directly with a LTCI provider (who sell only their own products) work with a firm that sells a variety of LTCI products, as they can match a policy to your specific situation, regardless of the provider. Your employer may offer optional group LTCI benefits as part of your employee package. Before making a decision, discuss the important differences between "tax qualified" and "non-tax qualified" policies with a knowledgeable agent who represents companies which offer both forms of policies.

Another way around the Medicaid problem is to give your assets to your children. It's legal, but some don't have children, and some are not on good terms with their family. Medicaid allows this "gifting" of assets, but you must do it at least 5 years before you apply for Medicaid assistance, else they refuse your claim for a certain period of time, during which you or your family must pay the bills. Waiting until you start to lose your health to begin gifting your assets is a financial form of Russian Roulette. Medicaid trusts are a better solution. You put your assets into a trust, Medicaid allows this, but you must work a trust at least 5 years before you apply for Medicaid assistance. All of this points out that preparing for old age requires careful advance planning, and you need to visit a professional for good advice, either a certified financial planner or an attorney specializing in "elder law," preferably both. When protecting your financial assets from the trap of Medicaid impoverishment, be sure you protect your railroad and other collections as well.

Railroad historical societies can accept collections as a bequest through a will or an outright donation. Collections of photographs or slides are put to excellent use for historical research and the publication of books and articles. Model collections can be auctioned to raise funds. There are many ways to dispense your collection(s) and we urge you to investigate them now during your planning process.

Many of you already know these things, but for those of you who didn't, we hope that by arming you with some facts that we've helped you to better prepare for getting vital affairs into proper good order.

Consult your family attorney, financial planner, personnel department, local social services agencies, or even the yellow pages for assistance and advice. Plan ahead now and prevent the kind of disasters that strike all too many American families, and have struck some of our model railroad families.

A legal will, advance directives and LTCI are easy to put in place and keep you financially well when the worst things happen. Protect yourself and your family. Don't get caught with your plans down.