



PENSION AND FIDUCIARY SERVICE

PMC VSR Advanced Core Course
Phase 5: Stages of a Claim
Part 1: Determine Eligibility

Lesson 20: Determine Net Worth Status

Trainee Guide

October 28, 2016

Version 1.0

Lesson 20: Determine Net Worth Status
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Determine Net Worth Status

Lesson Overview

Topic	Description
Time Estimate:	3 hours
Purpose of the Lesson:	This lesson is part of the entry-level curriculum, Core Course for PMC VSRs. The purpose of this lesson is to prepare PMC VSRs to calculate a claimant's net worth and to determine if net worth is a bar to benefits for the claimant.
Prerequisite Training Requirements:	Prior to taking the Determine Net Worth Status lesson, you must complete PMC VSR Core Course Phases 1–4, and Phase 5, Part 1, lessons 1–19. (Refer to the Master Course Map learning aid for a list of lessons.)
Target Audience:	This lesson is for entry-level PMC VSRs.

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Topic	Description
Lesson References:	<ul style="list-style-type: none"> • Master Course Map learning aid • Compensation and Pension Knowledge Management (CPKM) • VA Form 21-5427 (Corpus of Estate Determination) • VA Form 21p-8416 (Medical Expenses Report) • VA Form 21p-8049 (Request for Details of Expenses) • M21-1 V.i.3.A.1.c (Definition: Net Worth) • M21-1 V.iii.1.J.1.a (Impact of the Claimant's Net Worth on VA Benefits) • M21-1 V.iii.1.J.1.b (Net Worth Criteria) • M21-1 V.iii.1.J.1.g (Evaluating Net Worth) • M21-1 V.iii.1.J.1.h (Effect of Net Worth on Benefit Eligibility) • M21-1 V.iii.1.J.2.b (When to Consider the Spouse's Net Worth) • M21-1 V.iii.1.J.3.b (Criteria for Excessive Net Worth) • M21-1 V.iii.1.J.4.a (Excessive Net Worth as a Question of Fact) • M21-1 V.iii.1.J.4.e (Specific Exclusions From Net Worth) • M21-1 V.iii.1.J.4.f (Convertibility of Assets) • M21-1 V.iii.1.J.4.g (Example 1: Convertibility of Assets) • M21-1 V.iii.1.J.4.h (Example 2: Convertibility of Assets) • M21-1 V.iii.1.J.4.i (Example 3: Convertibility of Assets) • M21-1 V.iii.1.J.5.c (Excluding the Value of a Single-Family Dwelling) • M21-1 V.iii.1.J.6.a (Life Expectancy Table) • 38 CFR 3.263 (Corpus of estate; net worth) • 38 CFR 3.263 (b) (Corpus of Estate—Definition) • 38 CFR 3.274 (Relationship of net worth to pension entitlement) • 38 CFR 3.275 (Criteria for evaluating net worth) • Claim Types job aid • Income and Net Worth Status job aid

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Topic	Description
Technical Competencies:	<ul style="list-style-type: none"> • Program Benefits and Eligibility (PMC VSR) • Income Counting and Net Worth • VBA Applications (PMC VSR)
Knowledge Check:	Phase 5: Stages of a Claim, Part 1 (c)—Income Eligibility Knowledge Check
Lesson Objectives:	<p>Determine net worth status.</p> <ul style="list-style-type: none"> • Define net worth for VA purposes. • Determine sources of net worth. • Calculate net worth. • Determine if net worth is a bar to benefits.
What You Need:	<ul style="list-style-type: none"> • Trainee guide • Master Course Map learning aid • Calculator • Access to VBA Intranet for VA Form search <ul style="list-style-type: none"> ○ VA Form 21-5427 (Corpus of Estate Determination) ○ VA Form 21p-8416 (Medical Expenses Report) ○ VA Form 21p-8049 (Request for Details of Expenses) • Access to CPKM • Access to VSR Assistant—Income/Net Worth Determination EPSS • Access to the following job aids from VSR Assistant: <ul style="list-style-type: none"> ○ Claim Types job aid ○ Income and Net Worth Status job aid

PowerPoint Slides	Notes
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PowerPoint Slides	Notes
<p>Lesson 20: Determine Net Worth Status</p>	
<p>You Are Here</p> <pre> graph TD P1[PHASE 5 PART 1 Determine Eligibility] --> P2[PHASE 5 PART 2 Process a Claim] P2 --> P3[PHASE 5 PART 3 Promulgate Non-Rating or Rating Decision] P3 --> P4[PHASE 5 PART 4 Prepare Decision Notice] P4 --> P5[PHASE 5 PART 5 Award Adjustments] P1 --> P1a[PHASE 5 PART 1a Initial Screening and Establish a Claim] P1a --> P1b[PHASE 5 PART 1b Basic Eligibility] P1b --> P1c[PHASE 5 PART 1c Income Eligibility] P1c --> P1d[PHASE 5 PART 1d Beyond Basic Eligibility and Ready to Rate] </pre>	
<p>Why It Matters!</p> <ul style="list-style-type: none"> • Establish Periods for Calculating Income • Determine Types of Income • Select Qualifying Expenses • Determine Income Status • Determine Net Worth Status 	
<p>Technical Competencies</p> <ul style="list-style-type: none"> • Program Benefits and Eligibility (PMC VSR) • Income Counting and Net Worth • VBA Applications (PMC VSR) 	








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PowerPoint Slides	Notes
<p>Lesson Objectives</p> <p>Determine net worth status.</p> <ul style="list-style-type: none"> • Define net worth for VA purposes. • Determine sources of net worth. • Calculate net worth. • Determine if net worth is a bar to benefits. 	
<p>Knowledge Check</p> <pre> graph TD A[PHASE 5 PART 1a Initial Screening and Establishing a Claim] --> B{Phase 5 Part 1a Knowledge Check} A --> C[PHASE 5 PART 1b Basic Eligibility] C --> D{Phase 5 Part 1b Knowledge Check} C --> E[PHASE 5 PART 1c Income Eligibility] E --> F{Phase 5 Part 1c Knowledge Check} E --> G[PHASE 5 PART 1d Beyond Basic Eligibility and Ready to Rate] G --> H{Phase 5 Part 1d Knowledge Check} </pre>	
<p>Terminology</p> <p>Under the current-law pension program, new claims are broken down into to:</p> <ul style="list-style-type: none"> • Veterans pension (previously called live or disability pension) • Survivors pension (previously called death pension) 	

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PowerPoint Slides	Notes
<p>Lesson Overview</p> <p>This lesson will consist of three parts:</p> <ol style="list-style-type: none">1. Determining what sources of net worth are included as countable for VA purposes2. Calculating net worth3. Determining if net worth is a bar to pension benefits	
<p>Net Worth Overview</p> <ul style="list-style-type: none">• What is net worth for VA purposes?• Whose net worth is counted for pension claims?• Where is the net worth information indicated on the various VA forms used for pension claims?	
<p>Net Worth for VA Purposes</p> <p>Net worth for VA purposes includes all personal property owned by the claimant, except for personal effects suitable to the claimant's reasonable mode of life</p>	

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PowerPoint Slides	Notes		
<p>Net Worth and Dependents</p> <ul style="list-style-type: none">• Net worth of Veteran's spouse is a factor in:<ul style="list-style-type: none">○ Veterans pension claims○ Survivors pension claims• Net worth of the child of a Veteran or surviving spouse can also be a factor• Net worth is not a factor in DIC claims			
<p>Net Worth Information on VA Forms</p> 			
<p>Sources of Net Worth</p> <p style="text-align: center;">Net Worth</p> <table border="0" style="width: 100%;"><tr><td style="text-align: center; vertical-align: top;"><p>Net Worth Inclusions</p></td><td style="text-align: center; vertical-align: top;"><p>Net Worth Exclusions</p></td></tr></table>	<p>Net Worth Inclusions</p> 	<p>Net Worth Exclusions</p> 	
<p>Net Worth Inclusions</p> 	<p>Net Worth Exclusions</p> 		

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PowerPoint Slides	Notes
<p>Net Worth Inclusions</p> <ul style="list-style-type: none">• Examples of assets:<ul style="list-style-type: none">○ Real estate (not including primary residence)○ Retirement○ Stocks○ Bonds○ Bank deposits• Investment examples can include the following:<ul style="list-style-type: none">○ Antique automobiles○ Coin collections○ Other personal property	
<p>Net Worth Exclusions</p> <ul style="list-style-type: none">• Personal belongings that are appropriate to the claimant's reasonable mode of life are excluded from net worth calculations for VA purposes.• Examples of excluded belongings:<ul style="list-style-type: none">○ The claimant's home○ Normal household objects and possessions○ Motor vehicles used for family transportation	

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PowerPoint Slides	Notes
<p>Net Worth Example</p> <p>Scenario: Robert Darcy owns a duplex with a current market value of \$300,000 and occupies half of the duplex. The claimant owes \$100,000 on the mortgage on the property. The claimant owns:</p> <ul style="list-style-type: none">• Clothing and personal articles worth about \$5,000• Car (primary means of transportation) worth \$10,000• Television set worth \$700• Furniture worth \$2,000	
<p>Net Worth Example Answers (1 of 2)</p>	
<p>Net Worth Example Answers (2 of 2)</p> <p>What is the total net worth?</p>	

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PowerPoint Slides	Notes
<p>Practice Exercise—Calculate Net Worth</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Divide into pairs.○ Review the Claim1 and the net worth section of the application.○ Using your calculator add the sum for each row and calculate the total net worth.○ Write your answers in the Practice Exercise: Net Worth Worksheet of the trainee guide.○ Be prepared to share your responses.• Time allowed: 20 minutes	

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Practice Exercise: Net Worth Worksheet

Source	Total Calculated
Cash, non-interest bearing bank accounts	
Interest bearing bank accounts, certificates of deposit (CDs)	
Retirement accounts (IRAs, Keogh Plans, etc.)	
Stocks, bonds, and mutual funds	
Value of business assets	
Real property	
Total Net Worth	

PowerPoint Slides	Notes
<p>Is Net Worth a Factor?</p> <ul style="list-style-type: none"> • After net worth is totaled, decide if amount is: <ul style="list-style-type: none"> ○ Within the limits ○ Excessive (over \$80,000) • If net worth is \$80,000 or more, a net worth determination is required. • A net worth of \$80,000 or more is not an automatic bar to benefits. 	

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PowerPoint Slides	Notes
<p>Net Worth Is Excessive</p> <p>Factors to consider include:</p> <ul style="list-style-type: none"> • Total income • Family expenses • Claimant’s life expectancy • Convertibility of assets into cash 	
<p>Preparing the Corpus of Estate Determination</p> <p>Prepare the corpus of estate determination by completing the following steps:</p> <ol style="list-style-type: none"> 1. Calculate total assets. 2. Calculate monthly income. 3. Calculate monthly expenses. 4. Determine claimant’s life expectancy. 5. Write the explanation of facts. 6. Calculate time to exhaust net worth in months. 7. Calculate time to exhaust net worth in years. 8. Compare years of funds to life expectancy. 	
<p>Calculate Total Assets</p> <p>VA Form 21-5427 field 9 (Assets)</p>	

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PowerPoint Slides	Notes
<p>Practice Exercise—Calculate Total Assets</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Divide into pairs.○ Access the following items:<ul style="list-style-type: none">▪ VA Form 21-5427▪ Application via e-folder▪ Practice Exercise: Net Worth Worksheet○ Use the application complete the identifying information for the following fields of VA Form 21-5427:<ul style="list-style-type: none">▪ 1–5▪ 8 (Persons Depending on Claimant for Support)○ Use the Practice Exercise: Net Worth Worksheet to complete the following filed of VA Form 21-5427:<ul style="list-style-type: none">▪ 9 (Assets)• Time allowed: 10 minutes	
<p>Practice Exercise—Calculate Total Assets Answer</p> <p>What is the total amount of estate from VA Form 21-5427?</p>	

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PowerPoint Slides	Notes
Calculate Total Income VA Form 21-5427 field 10 (Monthly Income)	
Practice Exercise—Calculate Monthly Income <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Access the following items:<ul style="list-style-type: none">▪ VA Form 21-5427▪ Application via e-folder○ Complete field 10 (Monthly Income) of VA Form 21-5427 using the application.• Time allowed: 7–10 minutes	
Practice Exercise—Calculate Monthly Income Answer What is the total income?	

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<p>Calculating Monthly Expenses (1 of 2)</p> <p>The following monthly expense categories should be completed on VA Form 21p-8049 (Request for Details of Expenses):</p> <ul style="list-style-type: none">• Housing• Food• Taxes• Interest• Clothing• Utilities• Education of children• Nonrecurring expenses	
<p>Calculating Monthly Expenses (2 of 2)</p> <p>Medical expenses may be completed with evidence of record based upon reports on VA Form 21p-8416 (Medical Expenses Report)</p>	

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<p>Practice Exercise—Calculate Monthly Expenses</p> <ul style="list-style-type: none"> • Instructions: <ul style="list-style-type: none"> ○ Access the following items: <ul style="list-style-type: none"> ▪ VA Form 21-5427 ▪ VA Form 21p-8049 ▪ VA Form 21p-8416 ▪ Application via e-folder ○ Complete field 11 (Monthly Expenses) of VA Form 21-5427 using VA Form 21p-8049 and VA Form 21p-8416 (if necessary). • Time allowed: 7–10 minutes 	
<p>Practice Exercise—Calculate Monthly Expenses Answer</p> <p>What are the total expenses?</p>	
<p>Determine Claimant’s Life Expectancy</p> <p>VA Form 21-5427 field 6 (Claimant’s Life Expectancy)</p>	

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PowerPoint Slides	Notes
<p>Activity—Life Expectancy</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Using the life expectancy table, find the life expectancy for the claimant's age:<ul style="list-style-type: none">▪ Age 76▪ Age 53▪ Age 84▪ Age 62• Time allowed: 5 minutes	
<p>Activity—Life Expectancy Answers</p> <p>Using the life expectancy table, find the life expectancy for the claimant's age:</p>	
<p>Practice Exercise—Determine Claimant's Life Expectancy</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Access the following items:<ul style="list-style-type: none">▪ VA Form 21-5427▪ Application via e-folder○ Complete field 6 (Claimant's Life Expectancy) of VA Form 21-5427 using the application.• Time allowed: 5 minutes	

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<p>Practice Exercise—Determine Claimant’s Life Expectancy Answer</p> <p>What is the life expectancy for the claimant?</p>	
<p>Write Explanation of Facts</p> <p>Scenario: The spouse payee has been forced to spend down a large amount of the net worth she and the Veteran were able to save. In 2015, their net worth dropped from around \$146,000 to \$62,673. They have used all their interest-bearing accounts and are left only with IRAs that will be required for the spouse if she outlives the Veteran (who is 15+ years her senior).</p>	
<p>Calculate Time to Exhaust Net Worth in Months</p> <p>Formula: total net worth / (monthly expenses – monthly income)</p>	

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<p>Group Exercise—Calculate Time to Exhaust Net Worth in Months</p> <ul style="list-style-type: none"> • Instructions: <ul style="list-style-type: none"> ○ Use the completed VA Form 21-5427 to get the following information: <ul style="list-style-type: none"> ▪ Total net worth ▪ Total monthly expenses ▪ Total monthly income ○ Use the following formula to calculate the time to exhaust net worth in months: <ul style="list-style-type: none"> ▪ $\text{Total net worth} / (\text{monthly expenses} - \text{monthly income})$ • Time allowed: 10 minutes 	
<p>Group Exercise—Calculate Time to Exhaust Net Worth in Months Answer</p> <p>What is the amount of time it would take to exhaust net worth in months?</p>	
<p>Calculate Time to Exhaust Net Worth in Years</p> <p>Formula: $\text{total net worth} / (\text{monthly expenses} - \text{monthly income}) / 12$</p>	



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<p>Group Exercise—Calculate Time to Exhaust Net Worth in Years</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Use the total calculated from time to exhaust net worth in months○ Divide by 12• Time allowed: 2 minutes	
<p>Calculating Time to Exhaust Net Worth Years Answer</p> <ul style="list-style-type: none">• What is the amount of time it would take to exhaust net worth in years?	
<p>Compare Years to Use Funds to Life Expectancy</p> <ul style="list-style-type: none">• If “years to use funds” (amount of time it would take to exhaust net worth) is greater than life expectancy, then net worth is sufficient to meet claimant’s financial needs• If “years to use funds” is less than life expectancy, then net worth is not sufficient to meet claimant’s financial needs• All claims are adjudicated on a case-by-case basis	

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<p>Practice Exercise—Compare Years to Use Funds to Life Expectancy</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Review Claim 1 and VA Form 21-5427○ Use the formula: total net worth / (monthly expenses – monthly income) / 12○ Compare the years to use funds to the life expectancy• Time allowed: 10 minutes	
<p>Is Net Worth a Bar?</p> <ul style="list-style-type: none">• If net worth is sufficient to meet his/her needs, the net worth is a bar to benefits• Determining if net worth is a bar is an administrative decision	
<p>Group Exercise—Determine If Net Worth Is a Bar</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Review the completed VA Form 21-5427.○ Based on the form, is net worth a bar to benefits?• Time allowed: 5 minutes	

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<p>Net Worth in VBMS-A</p> 	
<p>Convertibility of Assets</p> <p>Review the following examples:</p> <ul style="list-style-type: none">• M21-1 V.iii.1.J.4.g (Example 1: Convertibility of Assets)• M21-1 V.iii.1.J.4.h (Example 2: Convertibility of Assets)• M21-1 V.iii.1.J.4.i (Example 3: Convertibility of Assets)	
<p>Questions?</p> 	
<p>Lesson Summary</p> <ul style="list-style-type: none">• What is net worth for VA purposes?• Whose net worth is counted for pension claims?• What form is used to calculate net worth?• How do you determine the life expectancy?• What is the formula used to calculate years to use funds?	

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What's Next Phase 5: Stages of a Claim, Part 1 (c)—Income Eligibility Knowledge Check	