Pension and fiduciary service

PMC VSR Advanced Core Course Phase 5: Stages of a Claim  
Part 5: Award Adjustments

Lesson 3: Determine Net Worth Adjustments

Trainee Guide

May 2022

Determine Net Worth Adjustments

Lesson Overview

| Topic | Description |
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| Time Estimate: | 4 hours |
| Purpose of the Lesson: | This lesson is part of the entry-level course for PMC VSRs. The purpose of this lesson is to prepare PMC VSRs to recognize and accurately calculate net worth related adjustments. |
| Prerequisite Training Requirements: | Prior to taking the Determine Net Worth Adjustments lesson, trainees must complete the entry-level course Phases 1–4, Phase 5 Parts 1-4 and Phase 5, Part 5, Lesson 1 and 2. |
| Target Audience: | This lesson is for entry-level PMC VSRs. |
| Lesson References: | * Compensation and Pension Knowledge Management (CPKM) * 38 CFR 3.263 (Corpus of estate; net worth) * 38 CFR 3.274 (Net worth and VA pension.) 38 CFR 3.275 (How VA determines the asset amount for pension net worth determinations) * 38 CFR 3.275 (How VA Determines the Asset Amount for Pension Net Worth Determination). * 38 CFR 3.276 (Asset Transfer and Penalty Periods) * M21-1 I.i.1.B.1.a (Due Process and the U.S. Constitution) * M21-1 I.i.1.B.1.b. (Due Process and VA) * **M21-1 I.i.1.B.2.a. (Types of Notification Concerning Change in Benefits)** * M21-1 X.ii.3.C.1.a. (Definition: Contemporaneous Notice) * M21-1 X.ii.3.C.1.b. (Information a Beneficiary Must Provide to Justify Sending a Contemporaneous Notice) * M21-1 IX.i.3.A.1 (The Effect of Income/Net Worth on Benefit Entitlement) * M21-1 IX.i.3.A.2 (Development of Income and Net Worth-Dependent Cases) * M21-1 IX.i.3.A.4 (Developing for Net Worth) * M21-1 IX.i.3.A.1.c. (Definition: Net Worth) * M21-1 IX.iii.1.l.9.a. (Impact of the Sale of Property for Pension Purposes) * **M21-1 IX.iii.1.J.1.f. (Net Worth Criteria for Claims Received on or After October 18, 2018)** * M21-1 IX.iii.1.J.1.r. (Discontinuance for Excessive Net Worth) * M21-1 IX.iii.1.J.1.s. (Payment of Benefits Based on the Reconsideration of Net Worth) * M21-1 IX.iii.1.J.1.t. (Example 1: Adjusting Veterans Pension Awards Based on Changes in Net Worth) * **Income and Net Worth Status** job aid * **Time Limits** job aid * Refer to *Appendix A* for references introduced in earlier lessons |
| Technical Competencies: | * Processing Claims (PMC VSR) * Income Counting and Net Worth * VBA Applications (PMC VSR) * Program Benefits and Eligibility (PMC VSR) |
| Knowledge Check: | Phase 5: Stages of a Claim, Part 5a, Award Adjustments Knowledge Check |
| Lesson Objectives: | * Determine award adjustment based on changes to net worth. * Determine whether amended asset is an inclusion or an exclusion. * Determine whether a net worth determination is required. * Determine whether to develop for additional net worth information. * Determine whether net worth is a bar to benefits. |
| What You Need: | * Trainee Guide * Whiteboard * Access to CPKM * Access to VBMS * Access to the following job aids from VSR Assistant:   + **Income and Net Worth Status** job aid   + **Time Limits** job aid |

| PowerPoint Slides | Notes | |
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| Lesson 3: Determine Net Worth Adjustments |  | |
| Lesson Objectives   * Determine award adjustment based on changes to net worth. * Determine whether amended asset is an inclusion or an exclusion. * Determine whether a net worth determination is required. * Determine whether to develop for additional net worth information. * Determine whether net worth is a bar to benefits. |  | |
| Why It Matters!  The Determine Net Worth Adjustments course is important because VA pension is a needs-based benefit and is not intended to preserve the estates of individuals who have the means to support themselves. |  | |
| Definitions (1 of 4)   * ***Net worth***, for claims received on or after October 18, 2018, is the sum of a claimant’s assets, and IVAP. * ***Assets*** are the fair market value of all property that an individual owns, including all real and personal property * ***Fair market value*** is the price at which an asset would change hands between a willing buyer and seller. * The ***covered asset amount*** is the monetary value by which a claimant’s net worth would have exceeded the limit due to covered asset(s) alone if the uncompensated value of the covered asset(s) had been included in net worth. |  |
| Definitions (2 of 4)   * A *Look-back period* means the 36-month period immediately preceding the date on which VA receives either an original pension claim, or a new pension claim after a period of non-entitlement   + A look-back period will not include any date prior to October 18, 2018   + The look-back period starts from the date a formal claim is submitted after a period of non-entitlement.   + A look-back period does not start from the date of an intent to file. |  |
| Definitions (3 of 4)   * A *penalty period*:   + is a period of non-entitlement due to the transfer of a covered asset(s) during the look-back period   + cannot exceed 5 years   + begins on the first day of the month following the date of the last transfer, and   + is calculated by dividing the total covered asset amount by the monthly penalty rate and rounding down.   + The resulting whole number is the number of months VA will not pay pension. |  |
| Definitions (4 of 4)   * For claims received on or after October 18, 2018, the bright-line net worth limit for pension entitlement is $123,600   + The current net worth limit for pension entitlement is listed on the [Veterans Pension Rate Table](https://www.va.gov/pension/veterans-pension-rates/).   + This limit is increased by the same percentage as the COLA in Social Security benefits.     - Net worth is assets plus IVAP (assets + IVAP). * Deny or discontinue pension if a claimant’s net worth exceeds the limit.   + The net worth calculator must be saved if pension is denied or discontinued due to excessive net worth. |  |
| Review Net Worth  Examples of property that are considered net worth |  |
| Review Net Worth Status |  |
| Review Assets Inclusions/Exclusions |  |
| Review Assets Inclusions/Exclusions Answers   * Inclusion examples:   Real estate (not including primary residence)  Retirement  Stocks  Bonds  Bank deposits   * Exclusion examples:   The claimant's primary residence  Normal household objects and possessions  Motor vehicles used for family transportation |  |
| Asset Inclusions/Exclusions Example (1 of 2)  **Scenario: Melissa Stevens has an IVAP of $10,000. She owns a duplex with a current market value of $500,000 and occupies half of the duplex. Mrs. Stevens owes $400,000 on the mortgage on the property. Mrs. Stevens owns the following:**   * + **Clothing and personal articles worth about $9,000**   + **Car (primary means of transportation) worth $7,000**   + **Fine art painting worth $15,000**   + **Furniture worth $2,000** |  |

| PowerPoint Slides | Instructor Activities | |
| --- | --- | --- |
| Asset Inclusions/Exclusions Example (2 of 2)  **Scenario:** Susan Blackman, surviving spouse of Richard Blackman, applies for Survivor’s pension on June 15, 2020. Mrs. Blackman’s VA Form 21P-534EZ Application for DIC, Death Pension, and/or Accrued Benefits, indicates that she has $22,000 in non-interest-bearing bank accounts, $4,000 in interest bearing bank accounts, and $100,000 in a living trust. IVAP is $0. On July 15, 2020, a MAP-D development letter was sent requesting documentation regarding Mrs. Blackman’s trust. Mrs. Blackman’s response on August 5, 2020, included the trust agreement. This agreement indicated that Mrs. Blackman’s assets were transferred to a living trust in February 2020. The agreement further explains that these assets may be liquidated in full. |  |
| Review Calculate Net Worth |  |
| Review Calculate Net Worth Example  **Mrs. Stevens’s net worth:**   * IVAP: $10,000.00 * Fine Art painting: $15,000 * Market value of half of duplex $250,000   **Remember, Mrs. Stevens owes $400,000 on the mortgage on the property.** |  |
| **Practice Exercise—Review Net Worth**   * Instructions:   + Divide into pairs.   + Access Claim 1.   + Use Appendix B: Part A—Review Net Worth worksheet to show your work.   + Work as a group to calculate the net worth based on Claim 1. * Time allowed: 20 minutes |  |

Determine Net Worth

| **Net Worth 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 | Instructor Activities |
| --- | --- |
| ****Net Worth Award Adjustments****   * Net worth adjustments are different than income and expense adjustments * Net Worth adjustments are ***not***:   + Compared to MAPR   + Compared on a sliding scale—either net worth is acceptable or is a bar to benefits |  |
| Conversion of Assets  **A surviving spouse sold her family home for $325,000. Before the sale, the value of her home was an exclusion from assets. Now, the income from the sale converts to an inclusion.** |  |
| **Award Adjustments Based on Amended Net Worth**  Once the amended net worth has been calculated, the award adjustment for net worth may result in one of the following two outcomes:   * **Update the VBMS-A with amended net worth amount** * **A termination of benefits** |  |
| Update VBMS-A with Amended Net Worth Amount  Process the award adjustment by updating the VBMS-A with the amended net worth amount. |  |
| Update VBMS-A with Amended Net Worth Amount Example 1  **Scenario:** On May 15, 2020, we received a VA Form 21-4138, Statement in Support of Claim together with copy of a Bill of sale, from Veteran Jesse Lacey. He reported that he sold his Daisy Lane home on January 21, 2020, and received a lump sum payment in the amount of $25,000. We have previously been considering net worth of $10,000. The Veteran’s IVAP is $12,000. |  |
| **Update VBMS-A with Amended Net Worth Amount Example 1 Answers**   * **What is the updated net worth information provided by Mr. Lacey?** * **What is the calculated amended net worth?** |  |
| **Update VBMS-A with Amended Net Worth Amount Example 2**  **Scenario:** VA receives a claim from Jacob Wright, a single Veteran, on April 15, 2020. Mr. Wright’s VA Form 21P-527EZ, Application for Pension, indicates he has previously reported assets of $10,500 in non-interest bearing bank accounts, $1,000 in a CD, and his collectible 1954 Buick Skylark car worth $6,500. He now reports his primary residence is worth $190,000, based on his most recent assessment. Mr. Wright’s only source of income is his monthly Social Security benefit of $950 and has not reported any medical expenses. |  |
| Update VBMS-A with Amended Net Worth Amount Example 2 Answers   * **What is the updated net worth information provided by Mr. Wright?** * **What is the amended net worth?** |  |
| To Develop or Not To Develop |  |
| Contemporaneous Notice Versus Proposed Adverse Action  What are the differences between a contemporaneous notice and a proposed adverse action? |  |
| Contemporaneous Notice  Send if all the following conditions are met:   * the beneficiary/fiduciary provides factual, unambiguous information or statements regarding updated net worth information * a termination of benefits is warranted for the excessive net worth * the person furnishing the information or statement must know, or be on notice, that such information will be used to calculate benefits |  |
| Contemporaneous Notice Example  **Scenario:** Veteran Donald Johnson has been receiving nonservice-connected pension since August 2013. On August 15, 2021, he submits a completed VA Form 21P-0516-1, Improved Pension Eligibility Verification Report (Veteran with No Children), indicating that his net worth has increased. His original application included his antique automobile appraised at $70,000. As of June 2021, the antique automobile is appraised at $115,000. Mr. Johnson’s total assets are $135,000, including $20,000 in a non-interest-bearing bank account. The Veteran’s IVAP is $10,000. |  |
| Contemporaneous Notice Example Answers   * **What is the updated net worth information provided by Mr. Johnson?**   **What is the amended net worth?**  Assuming you determine to terminate benefits, on what date will benefits be terminated? |  |
| Development and Proposed Adverse Action  A proposed adverse action provides the beneficiary with the opportunity to provide additional evidence to contest the action. |  |
| ****Development and Proposed Adverse Action Example****  ****Scenario:**** David Smith is a World War II era Veteran with a running Veteran’s pension award. His original application show that he had no net worth to report. On May 18, 2021, he submits information explaining that he sold his primary residence on February 15, 2021. The Veteran also reports that he entered an assisted living facility on May 5, 2021, and submits a VA Form 21P-8416, Medical Expense Report, and a Care Expense Statement outlining his admission and the monthly rate he pays. The Veteran’s IVAP is $0. However, the Veteran did not provide the profit amount of the sale of his home. |  |
| **Development and Proposed Adverse Action Example Answers**   * What is the updated net worth information provided by Mr. Smith? * What is the amended net worth? * Is complete asset information required for the amended net worth? |  |
| **Practice Exercise—Net Worth**   * Instructions:   + Divide into groups of three.   + Access Claim 2.   + Work as a group to:     - Calculate the amended net worth     - Answer the questions in Appendix B: Part B—Net Worth worksheet * Time allowed: 20 minutes |  |

| PowerPoint Slides | Instructor Activities |
| --- | --- |
| Termination of Benefits  Terminate the award the first of the year of the following calendar year. |  |
| **Practice Exercise—Net Worth Determination**   * Instructions:   + Divide into pairs.   + Access Claim 3.   + Use Appendix B: Part C—Net Worth worksheet to show your work.   + Work as a group to:     - Calculate the amended net worth     - Determine the outcome for the amended net worth * Time allowed: 20 minutes |  |
| **Lesson Summary**   * Once the amended net worth has been calculated for a running award, then the award adjustment for net worth may result in one of the following two outcomes:   + **An update to amended net worth amount in VBMS-A**   + **A termination of benefits** |  |
| ****Questions?****  This icon prompts you to ask trainees a discussion question or to ask trainees if they have any questions before proceeding with instruction. |  |
| **What’s Next**   * Phase 5: Part 5a, Knowledge Check Preparation * Complete Determine Net Worth Adjustments Course Evaluation: **TMS ID: 4408488** |  |