



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 12, 2017

Version 1.0

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

Determine Net Worth Adjustments

Lesson Overview

Topic	Description
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 (Refer to the Master Course Map learning aid for a list of lessons.)
Target Audience:	This lesson is for entry-level PMC VSRs.

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

Topic	Description
Lesson References:	<ul style="list-style-type: none"> • Master Course Map learning aid • Compensation and Pension Knowledge Management (CPKM) • VA Form 21-4138 (Statement in Support of Claim) • VA Form 21P-8049 (Request for Details of Expenses) • M21-1 I.2.A.1.a. (Due Process and the U.S. Constitution) • M21-1 I.2.A.1.b. (Due Process and VA) • M21-1 I.2.A.2.a. (Types of Notification Concerning Change in Benefits) • M21-1 I.2.D.1.a (Definition: Contemporaneous Notice) • M21-1 I.2.D.1.b (Information a Beneficiary Must Provide to Justify Sending a Contemporaneous Notice) • M21-1 V.i.3.A.1. (The Effect of Income/Net Worth on Benefit Entitlement) • M21-1 V.i.3.A.2 (Development of Income and Net Worth-Dependent Cases) • M21-1 V.i.3.A.4 (Developing for Net Worth) • M21-1 V.iii.1.I.9.a. (Impact of the Sale of Property on Pension Benefits) • M21-1 V.iii.1.J.1.b (Net Worth Criteria) • M21-1 V.iii.1.J.2.a (Discontinuance for Excessive Net Worth) • M21-1 V.iii.1.J.2.e (Resumption of Benefits Based on the Reconsideration of Net Worth) • M21-1 V.iii.1.J.2.f (Examples of Adjusting Veterans Pension Awards Based on Changes in Net Worth) • M21-1 V.iii.1.J.4.b. (When a Formal Net Worth Administrative Decision Is Required) • M21-1 V.iii.1.J.4.c (Preparing Administrative Decisions) • M21-1 V.iii.1.J.4.e (Specific Exclusions From Net Worth) • M21-1 V.iii.1.J.4.f (Trusts) • M21-1 V.iii.1.J.5.c (Excluding the Value of a Single-Family Dwelling) • 38 CFR 3.263 (Corpus of estate; net worth)
May 12, 2017 Version 1.0	<ul style="list-style-type: none"> • 38 CFR 3.263(b) (Definition corpus of estate and net worth) • 38 CFR 3.274 (Relationship of net worth to pension entitlement)

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

Topic	Description
Technical Competencies:	<ul style="list-style-type: none"> • 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:	<ul style="list-style-type: none"> • Determine award adjustment based on changes to net worth. <ul style="list-style-type: none"> ○ Determine whether amended net worth 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:	<ul style="list-style-type: none"> • Trainee Guide • Master Course Map learning aid • Calculator • Access to CPKM • Access to VBMS-A academy mode • Access to the following job aids from VSR Assistant: <ul style="list-style-type: none"> ○ Income and Net Worth Status job aid ○ Time Limits job aid

PowerPoint Slides	Notes
Lesson 3: Determine Net Worth Adjustments	

Lesson 3: Determine Net Worth Adjustments Trainee Guide

PowerPoint Slides	Notes
<p>You Are Here</p> <pre> graph TD P1[PHASE 1 Mandatory Training] --> P2[PHASE 2 PMC VSR Foundation] P2 --> P3[PHASE 3 PMC VSR Resources] P3 --> P4[PHASE 4 Introduction to Pension Management] P4 --> P5[PHASE 5 Stages of Claim] P5 --> P6[PHASE 6 Processing Claims] P5 --- P5P1[PHASE 5 PART 1 Determine Eligibility] P5P1 --> P5P2[PHASE 5 PART 2 Process a Claim] P5P2 --> P5P3[PHASE 5 PART 3 Promulgate Non-Rating or Rating Decision] P5P3 --> P5P4[PHASE 5 PART 4 Prepare Decision Notice] P5P4 --> P5P5[PHASE 5 PART 5 Award Adjustments] </pre>	
<p>Why It Matters!</p> <p>Scenario: Sue Lambert applies for Survivors Pension. She previously received pension, but her benefits were stopped due to winning \$85,000 in the lottery. More than one year has passed since she received the lump sum income. VA receives VA 21-534EZ, Application for DIC, Death Pension, and/or Accrued Benefits, from Ms. Lambert on February 18, 2017. She has Social Security income of \$327, monthly pension of \$145, and annual interest income of \$50. Her only medical expenses are Medicare Part B premiums for \$104. She lists her net worth as \$14,000 in an interest bearing bank account. She has not remarried.</p>	



Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Technical Competencies</p> <ul style="list-style-type: none">• Program Benefits and Eligibility (PMC VSR)• Processing Claims (PMC VSR)• Income Counting and Net Worth• VBA Applications (PMC VSR)	
<p>Lesson Objectives</p> <p>Determine award adjustment based on changes to net worth.</p> <ul style="list-style-type: none">• Determine whether amended net worth 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.	


**Lesson 3: Determine Net Worth Adjustments
Trainee Guide**

PowerPoint Slides	Notes
<p>Knowledge Check</p> <pre> graph TD P1[PHASE 5 PART 1 Determine Eligibility] --> P2[PHASE 5 PART 2 Process a Claim] P2 --> KC2{Phase 5 Part 2 Knowledge Check} P2 --> P3[PHASE 5 PART 3 Promulgate Non-Rating or Rating Decision] P3 --> KC3{Phase 5 Part 3 Knowledge Check} P3 --> P4[PHASE 5 PART 4 Prepare Decision Notice] P4 --> KC4{Phase 5 Part 4 Knowledge Check} P4 --> P5[PHASE 5 PART 5 Award Adjustments] P5 --> KC5a{Phase 5 Part 5a Knowledge Check} P5 --> KC5b{Phase 5 Part 5b Knowledge Check} </pre>	
<p>Award Adjustments</p> <p>Award Adjustments:</p> <ul style="list-style-type: none"> • Determine Qualifying Expense Adjustments • Determine Amended Income Adjustments • Determine Net Worth Adjustments 	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Review Net Worth</p> 	
<p>Review Net Worth Status</p> 	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p data-bbox="154 296 521 369">Review Net Worth Inclusions/Exclusions</p> 	
<p data-bbox="154 1016 672 1089">Review Net Worth Inclusions/Exclusions Answers</p>	


Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Net Worth Inclusions/Exclusions Example (1 of 2)</p> <p>Scenario: Melissa Stevens 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:</p> <ul style="list-style-type: none">○ 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	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Net Worth Inclusions/Exclusions Example (1 of 2) Answers</p>	
<p>Net Worth Inclusions/Exclusions Example (2 of 2)</p> <p>Scenario: Susan Blackman, surviving spouse of Richard Blackman, applies for Survivor's pension on June 15, 2017. Mrs. Blackman's VA Form 21-534EZ 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 \$40,000 in an irrevocable living trust. On July 15, 2017, a MAP-D development letter was sent requesting documentation regarding Mrs. Blackman's irrevocable living trust. Mrs. Blackman's response on August 5, 2017 included the irrevocable living trust agreement. This agreement indicated that Mrs. Blackman's assets were transferred to an irrevocable living trust in February 2017. The agreement further explains that these assets may be distributed at times of special need or during a time of disability.</p>	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Review Calculate Net Worth</p> 	
<p>Review Calculate Net Worth Example</p> <p>Mrs. Stevens's net worth:</p> <ul style="list-style-type: none"> • Fine Art painting: \$15,000 • Market value of half of duplex \$200,000 <p>Remember, Mrs. Stevens owes \$400,000 on the mortgage on the property.</p>	
<p>Review Calculate Net Worth Example Answers</p>	


Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Practice Exercise—Review Net Worth</p> <ul style="list-style-type: none"> • Instructions: <ul style="list-style-type: none"> ○ 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	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
Practice Exercise—Review Net Worth Answers	
Questions? 	
Net Worth Award Adjustments <ul style="list-style-type: none">• Net worth adjustments are different than income and expense adjustments• Net Worth adjustments are not:<ul style="list-style-type: none">○ Compared to MAPR○ Compared on a sliding scale—either net worth is acceptable or is a bar to benefits	
Conversion of Assets <p>A surviving spouse sold her family home for \$325,000. Before the sale, the value of her home was an exclusion from net worth. Now, the income from the sale converts to an inclusion for net worth.</p>	


Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Award Adjustments Based on Amended Net Worth</p> <p>Once the amended net worth has been calculated, the award adjustment for net worth may result in one of the following two outcomes:</p> <ul style="list-style-type: none"> • Update the VBMS-A with amended net worth amount • A termination of benefits 	
<p>Update VBMS-A with Amended Net Worth Amount</p> <p>Process the award adjustment by updating the VBMS-A with the amended net worth amount.</p>	
<p>Update VBMS-A with Amended Net Worth Amount Example 1</p> <p>Scenario: On May 15, 2015 we received a VA Form 21-4138, Statement in Support of Claim, from Veteran Jesse Lacey. He reported that he sold his Daisy Lane home on January 21, 2015, and received a lump sum payment in the amount of \$25,000. We have previously been considering net worth of \$10,000.</p>	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Update VBMS-A with Amended Net Worth Amount Example 1 Answers</p> <ul style="list-style-type: none"> • What is the updated net worth information provided by Mr. Lacey? • What is the calculated amended net worth? 	
<p>Update VBMS-A with Amended Net Worth Amount Example 2</p> <p>Scenario: VA receives a claim from Jacob Wright, a single Veteran, on April 15, 2016. 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.</p>	
<p>Update VBMS-A with Amended Net Worth Amount Example 2 Answers</p> <ul style="list-style-type: none"> • What is the updated net worth information provided by Mr. Wright? • What is the amended net worth? 	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>No Change Letter Demo</p> 	
<p>Net Worth Determination is Required</p> <p>While no specific dollar amount can be designated as excessive net worth, if the claimant has a net worth of \$80,000 or more, then a formal administrative decision is required.</p>	
<p>Preparing an Administrative Decision</p> <p>What forms are used when preparing an administrative decision for net worth determination?</p>	
<p>To Develop or Not To Develop</p> <ul style="list-style-type: none"> • If VA Form 21P-8049 is on file, then development is not needed. Instead, complete the corpus of determination and provide a contemporaneous notice to the claimant. • If VA Form 21P-8049 is not on file, then develop for the form. Inform the claimant of the proposed adverse action with the development letter. 	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Contemporaneous Notice Versus Proposed Adverse Action</p> <p>What are the differences between a contemporaneous notice and a proposed adverse action?</p>	
<p>Contemporaneous Notice</p> <p>Contemporaneous notice is sent to the claimant if all of the following conditions are met:</p> <ul style="list-style-type: none">• The claimant submits updated net worth information and the amended net worth is excessive.• A termination of benefits is warranted for the excessive net worth.• VA Form 21-8049, Request for Details of Expenses, is on file and is current.	


Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Contemporaneous Notice Example</p> <p>Scenario: Veteran Donald Johnson has been receiving nonservice-connected pension since August 2010. On August 15, 2017 he submits a completed VA Form 21-0516, Improved Pension Eligibility Verification Report (Veteran with No Children), indicating that his net worth has increased based on an updated appraisal of his antique automobile. Mr. Johnson also submits a completed VA Form 21-8049, Request for Details of Expenses, documenting his monthly expenses. His original application included his antique automobile appraised at \$70,000. As of June 2017, the antique automobile is appraised at \$105,000. Mr. Johnson's total net worth is reported as \$115,000, including \$10,000 in a non-interest bearing bank account.</p>	
<p>Contemporaneous Notice Example Answers</p> <ul style="list-style-type: none">• 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?	


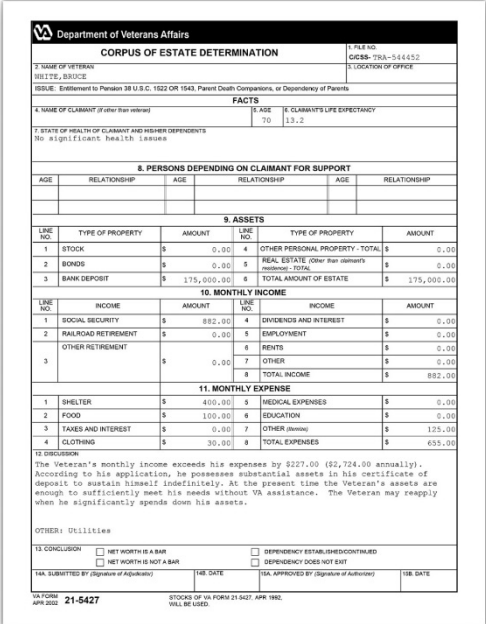
Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Contemporaneous Notice Demo</p> 	
<p>Development and Proposed Adverse Action</p> <p>A proposed adverse action provides the beneficiary with the opportunity to provide additional evidence to contest the action.</p>	
<p>Development and Proposed Adverse Action Example</p> <p>Scenario: David Smith is a World War II era Veteran with a running Veteran’s pension award. His original application shows that he had no net worth to report. On May 18, 2016 he submits information explaining that he sold his primary residence on February 15, 2016 and received \$225,000. The Veteran also reports that he entered an assisted living facility on May 5, 2016 and submits a VA Form 21P-8416, Medical Expense Report, and a Care Expense Statement outlining his admission and the monthly rate he pays.</p>	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Development and Proposed Adverse Action Example Answers</p> <ul style="list-style-type: none"> • What is the updated net worth information provided by Mr. Smith? • What is the amended net worth? • Is an administrative decision for a net worth determination required for the amended net worth? 	
<p>Development and Proposed Adverse Action Example Demo</p> 	
<p>Practice Exercise—Net Worth</p> <ul style="list-style-type: none"> • Instructions: <ul style="list-style-type: none"> ○ Divide into groups of three. ○ Access Claim 2. ○ Work as a group to: <ul style="list-style-type: none"> ▪ Calculate the amended net worth ▪ Answer the questions in Appendix B: Part B—Net Worth worksheet • Time allowed: 20 minutes 	
<p>Practice Exercise—Develop Net Worth Answers</p>	

Lesson 3: Determine Net Worth Adjustments Trainee Guide

PowerPoint Slides	Notes
<p>Questions?</p> <div style="text-align: center; margin: 10px 0;">  </div> <p>Complete VA Form 21-5427</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;">  </div>	

Lesson 3: Determine Net Worth Adjustments Trainee Guide


Department of Veterans Affairs					
CORPUS OF ESTATE DETERMINATION					1. FILE NO. C/CSS- TRA-544452
2. NAME OF VETERAN WHITE, BRUCE				3. LOCATION OF OFFICE	
ISSUE: Entitlement to Pension 38 U.S.C. 1522 OR 1543, Parent Death Companions, or Dependency of Parents					
FACTS					
4. NAME OF CLAIMANT (If other than veteran)			5. AGE 70	6. CLAIMANT'S LIFE EXPECTANCY 13.2	
7. STATE OF HEALTH OF CLAIMANT AND HIS/HER DEPENDENTS No significant health issues					
8. PERSONS DEPENDING ON CLAIMANT FOR SUPPORT					
AGE	RELATIONSHIP	AGE	RELATIONSHIP	AGE	RELATIONSHIP
9. ASSETS					
LINE NO.	TYPE OF PROPERTY	AMOUNT	LINE NO.	TYPE OF PROPERTY	AMOUNT
1	STOCK	\$ 0.00	4	OTHER PERSONAL PROPERTY - TOTAL	\$ 0.00
2	BONDS	\$ 0.00	5	REAL ESTATE (Other than claimant's residence) - TOTAL	\$ 0.00
3	BANK DEPOSIT	\$ 175,000.00	6	TOTAL AMOUNT OF ESTATE	\$ 175,000.00
10. MONTHLY INCOME					
LINE NO.	INCOME	AMOUNT	LINE NO.	INCOME	AMOUNT
1	SOCIAL SECURITY	\$ 882.00	4	DIVIDENDS AND INTEREST	\$ 0.00
2	RAILROAD RETIREMENT	\$ 0.00	5	EMPLOYMENT	\$ 0.00
3	OTHER RETIREMENT	\$ 0.00	6	RENTS	\$ 0.00
			7	OTHER	\$ 0.00
			8	TOTAL INCOME	\$ 882.00
11. MONTHLY EXPENSE					
1	SHELTER	\$ 400.00	5	MEDICAL EXPENSES	\$ 0.00
2	FOOD	\$ 100.00	6	EDUCATION	\$ 0.00
3	TAXES AND INTEREST	\$ 0.00	7	OTHER (Itemize)	\$ 125.00
4	CLOTHING	\$ 30.00	8	TOTAL EXPENSES	\$ 655.00
12. DISCUSSION					
The Veteran's monthly income exceeds his expenses by \$227.00 (\$2,724.00 annually). According to his application, he possesses substantial assets in his certificate of deposit to sustain himself indefinitely. At the present time the Veteran's assets are enough to sufficiently meet his needs without VA assistance. The Veteran may reapply when he significantly spends down his assets.					
OTHER: Utilities					
13. CONCLUSION					
<input type="checkbox"/> NET WORTH IS A BAR			<input type="checkbox"/> DEPENDENCY ESTABLISHED/CONTINUED		
<input type="checkbox"/> NET WORTH IS NOT A BAR			<input type="checkbox"/> DEPENDENCY DOES NOT EXIT		
14A. SUBMITTED BY (Signature of Adjudicator)		14B. DATE	15A. APPROVED BY (Signature of Authorizer)		15B. DATE

VA FORM APR 2002 **21-5427** STOCKS OF VA FORM 21-5427, APR 1992, WILL BE USED.


Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Administrative Decision Example</p> <p>Bruce White is a Veteran currently in receipt of nonservice-connected disability pension. VA receives his VA Form 21-0516, Improved Pension Eligibility Verification Report (Veteran with No Children), on January 9, 2017. The evidence reveals that his net worth has increased because he sold a parcel of land for \$175,000 on August 15, 2016. He reports his total net worth is \$175,000 in a non-interest bearing bank account. We were previously considering the land as part of the Veteran's net worth valued at \$65,000. The Veteran indicates that recent development around the parcel of land increased the property value. His VA Form 21-0516 also shows his only income is Social Security of \$882 per month and we are not considering any medical expenses on his award. On January 16, 2017, we sent a development letter with a proposed adverse action requesting a VA Form 21-8049, Request for Details of Expenses, to be completed. Mr. White completed VA Form 21-8049 on February 12, 2017. The new evidence does not reveal expenses that exceed his income.</p>	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Administrative Decision Example Answers</p> <ul style="list-style-type: none">• What is the updated net worth information provided by Mr. White?• What is the amended net worth?• Is net worth a bar to benefits?• What is the rationale for your decision?	
<p>Final Decision Notice Demo</p> 	
<p>Termination of Benefits</p> <p>Terminate the award the first of the year of the following calendar year.</p>	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Practice Exercise—Net Worth Determination</p> <ul style="list-style-type: none">• Instructions:<ul style="list-style-type: none">○ Divide into pairs.○ Access Claim 3.○ Use Appendix B: Part C—Net Worth worksheet to show your work.○ Work as a group to:<ul style="list-style-type: none">▪ Calculate the amended net worth▪ Determine the outcome for the amended net worth• Time allowed: 20 minutes	
<p>Practice Exercise—Net Worth Determination Answers</p>	
<p>Questions?</p> 	

Lesson 3: Determine Net Worth Adjustments
Trainee Guide

PowerPoint Slides	Notes
<p>Lesson Summary</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ An update to amended net worth amount in VBMS-A○ A termination of benefits• An administrative decision for net worth determines if the net worth is a bar to benefits	
<p>What's Next</p> <p>Phase 5: Part 5a Knowledge Check Preparation</p>	