

# Medi-Cal Asset Limits Are Back in 2026: What California Families with Special Needs Must Know



If your family relies on Medi-Cal, you may have heard an unsettling update: **California has reinstated asset limits for certain Medi-Cal programs.**

As of August 2026, the standard limit is:

- **\$130,000 for one person**
- **\$195,000 for a couple or two-person household**

For families raising or supporting someone with special needs, this change can create important questions. What counts as an asset? Does your home count? Could an inheritance affect eligibility? Can a special needs trust help protect benefits?

You might assume that having more than the limit automatically means your loved one will lose Medi-Cal. Or you may think that placing assets in any trust solves the problem. **Neither assumption is necessarily correct.**

The rules depend on the type of Medi-Cal coverage, the assets involved, how a trust is drafted, and your family's long-term circumstances. Let's break down what you need to know.

## Who is affected by the 2026 Medi-Cal asset limits?

### Does every Medi-Cal recipient have to pass an asset test?

No. The reinstated asset limits generally apply to **non-MAGI Medi-Cal programs**, including coverage for people who are:

1. **Age 65 or older**
2. **Blind or disabled**
3. Living in a nursing home or receiving long-term care

4. In certain families whose income is too high for other Medi-Cal eligibility categories

The limits generally do **not** apply to most MAGI-based Medi-Cal programs, such as many programs for children and adults who qualify based on household income under federal tax rules.

The California Department of Health Care Services explains the current rules in its [Medi-Cal Asset Limit Frequently Asked Questions](#).

If your family member receives Medi-Cal because of a disability, however, you should not assume that the program is exempt. **Confirm which eligibility category applies before taking action.**

## What are the Medi-Cal asset limits in August 2026?

### How much can you own and still qualify?

Through June 30, 2027, the standard limits are:

- **One person:** \$130,000 in countable assets
- **Two people:** \$195,000 in countable assets
- **Each additional household member:** add \$65,000, subject to program and household-size rules

For example, a married couple may generally have up to **\$195,000 in countable assets** under the standard two-person limit. However, special rules may apply to married couples when one spouse receives long-term care. These are often called **spousal impoverishment protections** and may allow the community spouse to retain more resources.

The limit is based on **countable assets**, not everything your family owns. That distinction matters.

### Which assets may count?

Countable assets can include:

- Cash
- Checking and savings accounts
- Non-exempt investments
- Second homes
- Second vehicles
- Certain financial resources held outside California

### Which assets may be exempt?

Under the current DHCS guidance, examples of potentially exempt assets include:

- Your primary residence
- One main vehicle
- Household goods and personal belongings

- Retirement funds when they are being paid out through regular payments

These categories can be more complicated in practice. For instance, a home may be exempt while it is your primary residence, but a second property may be countable. A retirement account may be treated differently depending on whether it is being distributed and how the Medi-Cal program evaluates it.

**Do not make a major financial decision based on a general list alone.** Your family's eligibility should be reviewed using the rules for your specific Medi-Cal category.



## Why special needs trusts matter more than ever

### Could an inheritance put Medi-Cal eligibility at risk?

It could, if the inheritance is distributed directly to a person whose Medi-Cal eligibility is subject to an asset test.

Imagine that your adult child receives Medi-Cal and has \$25,000 in countable savings. A well-intentioned grandparent leaves that child \$150,000 outright. The inheritance may place your child over the applicable asset limit, potentially affecting eligibility.

That does not mean your family should avoid leaving assets to your loved one. It means the inheritance should be structured carefully.

A **special needs trust**, also called a supplemental needs trust, may allow assets to be used for a person with disabilities without treating those assets as directly available to the beneficiary for Medi-Cal purposes. A properly drafted trust can help pay for supplemental needs such as:

- Personal care and assistance
- Transportation
- Recreation and entertainment
- Education and technology
- Dental and vision expenses
- Home modifications
- Travel and quality-of-life services

The purpose is not to replace public benefits. **The purpose is to supplement them.**

Pele Law Group's [Special Needs Trust Establishment service](#) focuses on coordinating special needs planning with your broader estate plan.

## **What is the difference between a first-party and third-party special needs trust?**

### **Are all special needs trusts created for the same purpose?**

No. Two common forms are especially important.

#### **1. First-party special needs trusts**

A first-party trust is funded with assets belonging to the person with disabilities. This may be appropriate when your loved one already owns too much to qualify for needs-based benefits: for example, after receiving an inheritance or legal settlement.

A first-party trust generally must be:

- Irrevocable
- Established for the sole benefit of the disabled individual
- Drafted to comply with federal and state requirements
- Subject to a **Medi-Cal payback provision** when required

The payback provision generally means that, after the beneficiary dies, Medi-Cal may be reimbursed from remaining trust assets before the balance passes to other beneficiaries.

#### **2. Third-party special needs trusts**

A third-party trust is funded with assets belonging to someone else, such as a parent, grandparent, sibling, or other relative. It is often used as part of a parent's estate plan.

Parents may create a third-party special needs trust through a revocable living trust or will and direct that the child's inheritance pass into the trust: not directly to the child.

Third-party planning can be particularly valuable because it may help preserve the family's assets for the beneficiary's care without giving the beneficiary direct control. The trust can also name who receives remaining assets after the beneficiary's death.

**The wording and structure matter.** A trust is not automatically a special needs trust simply because the beneficiary has a disability.

## Why a revocable living trust is not enough by itself

### Can you simply move assets into your existing living trust?

Usually, you should not assume so.

A standard revocable living trust is designed primarily to help manage assets, avoid probate, and provide continuity if you become incapacitated. Because you generally retain control over the assets, those assets may still be treated as available to you for Medi-Cal purposes.

In other words, **a revocable trust is not the same as a special needs trust.**

A properly structured special needs trust must be drafted for a specific purpose and coordinated with:

1. Your Medi-Cal eligibility category
2. The source of the funds
3. Your family's estate plan
4. Trustee powers and responsibilities
5. Government-benefit rules
6. Distribution and payback requirements

Before transferring assets, speak with an attorney who understands both estate planning and public-benefit preservation.

## What should your family do now?

### Should you spend down assets immediately?

Not necessarily. California's DHCS guidance mentions spending money on legitimate needs, such as medical bills, housing costs, home repairs, education, or debt repayment. But hurried transfers, gifts, or purchases can create unintended consequences: especially if your loved one may need nursing-home care.

Beginning January 1, 2026, California also introduced a **30-month look-back period** for certain long-term-care eligibility reviews. Transfers made for less than fair market value during the relevant period may delay long-term-care coverage.

Before moving money, consider these five steps:

1. **Identify the Medi-Cal program.**

Determine whether your family member is enrolled in a non-MAGI program subject to an asset test.

2. **Create a complete asset inventory.**

Include bank accounts, investments, retirement funds, real estate, vehicles, trusts, and pending inheritances.

3. **Separate exempt and countable assets.**

Do not rely on account titles alone. How an asset is used and who owns it may affect the analysis.

4. **Review beneficiary designations.**

Retirement accounts, life insurance, and payable-on-death accounts can unintentionally send assets directly to a person with special needs.

5. **Coordinate a special needs trust with your estate plan.**

Your will, living trust, powers of attorney, beneficiary designations, and trust instructions should work together.



## Why ongoing plan reviews are essential

### What if your plan was created before the rules changed?

A plan that was appropriate several years ago may not address the current Medi-Cal environment. Families also change. Your child may become an adult, a trustee may no longer be able to serve, assets may increase, or a beneficiary designation may be outdated.

We recommend reviewing your plan after major life events and at regular intervals. Pele Law Group offers plan reviews and updates, including complimentary reviews for plans originally created by the firm.

A review can help answer practical questions such as:

- Is the special needs trust still properly funded?
- Do your beneficiary designations match your intentions?
- Are the right people named as trustees and decision-makers?
- Does your plan account for a possible inheritance or settlement?
- Are your instructions understandable to the people who may need to carry them out?

## **A thoughtful plan can protect more than eligibility**

Medi-Cal planning is not only about staying under a number. It is about protecting your loved one's access to care while creating a stable, respectful plan for daily life and the future.

At Pele Law Group, we combine **estate-planning legal experience with a clinical social work perspective**. That holistic approach allows us to look beyond documents and ask the questions that affect your family's real life: Who knows your loved one best? What support will they need? How can you reduce conflict among relatives? What does a meaningful and secure future look like?

You do not have to navigate the 2026 Medi-Cal asset limits alone.

If your family member receives Medi-Cal, has more than \$100,000 in assets, may receive an inheritance, or needs lifelong support, consider scheduling a consultation with Pele Law Group. We provide transparent, flat-fee estate planning and serve families virtually throughout California.

**The earlier you review your plan, the more options you may have.**