The SWA September 2020 Newsletter

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As a result of COVID-19, credit reports are now free every week through April 2021. There is still a charge to obtain your credit score. Are you reviewing your FREE credit reports? Reports should be accessed only through the AnnualCreditReport.com website.

Review your reports for accurate identity information including former addresses and employers. Some additional items to check for include closed accounts reported as open, incorrect balances and credit limits, accounts erroneously labeled as delinquent and multiple listings of the same account.

Until October...

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Almost Nine Out of Ten Women Qualify for Social Security on Their Own

Because of a long-term rise in the employment rate for women of all ages, the percentage of women ages 62 to 64 who are fully insured for Social Security retirement benefits based on their own work records has increased significantly since 1980.

To qualify for Social Security benefits, people must work in jobs where they pay Social Security taxes and earn Social Security credits (one per quarter, up to four per year). Most people need 40 credits (the equivalent of 10 years of work) to become fully insured for Social Security retirement benefits.

Source: Social Security Administration, 2020

Could You Be Responsible for Your Parents' Nursing Home Bills?

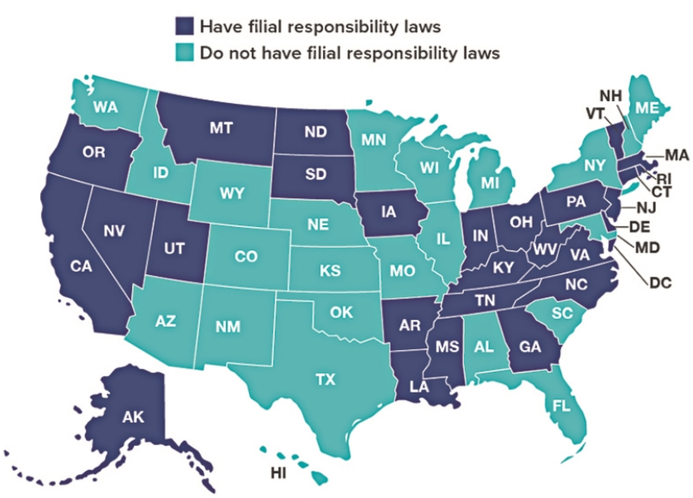
In 26 states (and Puerto Rico), laws generally hold children financially responsible for certain debts of their parents. These laws are referred to as filial responsibility laws (or filial support or filial piety laws).

The details of filial responsibility laws vary by state. Most require that a parent must be deemed unable to pay for the costs of basic care and support before a child may be held responsible. And most states consider the child's ability to pay before holding the child liable for the cost of a parent's health care.

Filial responsibility laws are generally not enforced. But one 2012 case out of Pennsylvania may provide an example of how these laws might be used. *Health Care & Retirement Corporation of America v. Pittas* addressed the question of whether a child can be held responsible for the health-related debts of a parent.

The court found an adult son responsible for $93,000 in nursing home costs incurred by his mother. The court also ruled that there was no duty to consider the parent's other possible financial resources for payment, which included her husband and two other adult children, or the fact that an application for Medicaid assistance was pending at the time of the claim against the child. The court found that the plaintiff had met its burden under the law by proving the child had the financial means to pay the outstanding bill.

States with Filial Responsibility Laws, 2019



As the Pennsylvania case illustrates, filial responsibility laws may come into play in situations when a parent incurs expenses for long-term care and lacks the financial means to pay them. This is not an issue when someone becomes eligible for Medicaid, because Medicaid pays for most long-term care services and does not require the recipient's children to contribute funds toward the parent's care; later, funds can be recovered through the Medicaid estate recovery process. In addition, federal law bars a nursing home from requiring a third-party guarantee of payment as a condition for either admission (or expedited admission) or continued stay of a patient.

What happens when a person admitted to a skilled nursing facility doesn't qualify for Medicaid but lacks the financial resources to pay the bill? For example, it's not uncommon for aging parents to gift assets to their children in order to qualify for Medicaid.

Under current rules, there is a five-year look-back period from the time the application for Medicaid is made. Gifts made during this look-back period may disqualify an applicant from receiving benefits for a certain period, which could be up to several months. In Connecticut, for example, nursing homes have the right to pursue claims against children of patients who made disqualifying transfers of assets (gifts) within two years of applying for Medicaid benefits.

Even though filial responsibility laws haven't been prevalent, soaring long-term care costs could continue to place a growing burden on Medicaid, pushing federal and/or state government budgets higher. More of the cost of health care could shift to patients and their families, giving nursing homes and other health-care providers more incentive to pursue claims against children for the unpaid costs of care provided to their parents.

In any case, filial responsibility laws provide yet another reason for families to plan for long-term care. Talk to a qualified attorney if you have concerns or need more information regarding your specific situation.

Printing Money: The Fed's Bond-Buying Program

The Federal Reserve's unprecedented efforts to support the U.S economy during the COVID-19 pandemic include a commitment by the Federal Open Market Committee (FOMC) to purchase Treasury securities and agency mortgage-backed securities "in the amounts needed to support smooth market functioning and effective transmission of monetary policy."[1]

The Fed buys and sells Treasury securities as part of its regular operations and added mortgage-backed securities to its portfolio during the Great Recession, but the essentially unlimited commitment underscores the severity of the crisis. The Fed is also entering uncharted territory by purchasing corporate, state, and local government bonds and extending other loans to the private sector.

Increasing Liquidity

The Federal Open Market Committee sets interest rates and controls the money supply to support the Fed's dual mandate to promote maximum employment and stable prices, along with its underlying responsibility to promote the stability of the U.S. financial system. By purchasing Treasury securities, the FOMC increases the supply of money in the broader economy, while its purchases of mortgage-backed securities increase supply in the mortgage market. The key to increasing liquidity — called quantitative easing — is that the Fed can make these purchases with funds it creates out of air.

The FOMC purchases the securities through banks within the Federal Reserve System. Rather than using money it already holds on deposit, the Fed adds the appropriate amount to the bank's balance. This provides the bank with more money to lend to consumers, businesses, or the government (through purchasing more government securities). It also empowers the Treasury or mortgage agency to issue additional bonds knowing that the Fed is ready to buy them. The surge of bond buying by the Fed that began in March helped the Treasury to finance its massive stimulus program in response to the coronavirus.

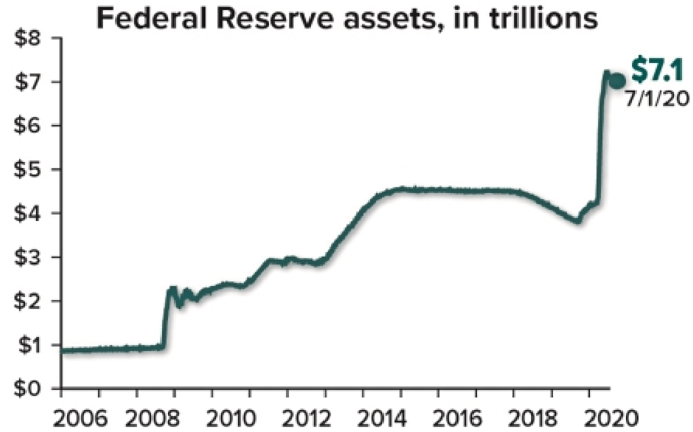
By law, the Fed returns its net interest income to the Treasury, so the Treasury securities are essentially interest-free loans. The principal must be paid when the bond matures, and the bonds add to the national debt. But the Treasury issues new bonds as it pays off the old ones, thus shifting the ever-growing debt forward.

Protecting Against Inflation

Considering the seemingly endless need for government spending and private lending, you may wonder why the Fed doesn't just create an endless supply of money. The controlling factor is the potential for inflation if there is too much money in the economy.

Big Balance Sheet

The Federal Reserve's assets grew with quantitative easing during and after the Great Recession. In late 2018, the Fed began to reverse the process by allowing bonds to mature without replacing them, only to back off when markets reacted negatively to the move. The 2020 emergency measures quickly pushed the balance sheet over $7 trillion.



Source: Federal Reserve, 2020

Low interest rates and "money printing" led to high inflation after World War II and during the 1970s, but the current situation is different.[2] Inflation has been low for more than a decade, and the economic crisis has severely curtailed consumer spending, making inflation unlikely in the near term.

The longer-term potential for inflation remains, however, and the Fed does not want to increase the money supply more than necessary to meet the crisis. From a peak of $75 billion in daily Treasury purchases during the second half of March, the FOMC began to gradually reduce the purchase pace in early April. By mid-June, it was down to an average of $4 billion per day and scheduled to continue at that pace through mid-August, with further adjustments as necessary in response to economic conditions.[3]

U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.

1) Federal Reserve, March 23, 2020

2) *The Wall Street Journal,* April 27, 2020

3) Federal Reserve Bank of New York, 2020

Back-to-College Insurance Needs

The COVID-19 crisis has created uncertainty about the college experience this fall, and insurance might not be at the top of your to-do list. But if you have a college student returning to campus, it's important to consider these three types of coverage.

Health Insurance

Health-care policies vary among schools, so be sure you understand the specific requirements and available options. Most schools offer a group health insurance plan, and some require coverage as a condition of attendance.

The most cost-effective solution may be to keep your student on your family policy. (Young adults can typically stay on their parents' health insurance policies up to age 26.) Medical care at campus facilities is often provided at relatively low cost to students, but you may want to check whether campus facilities and doctors are participating providers in your network.

Auto Insurance

If your student takes a car to school, it is typically less expensive to include the vehicle on your own policy than to purchase separate coverage. However, you should report the new location to your insurance company; your premium may go up or down depending on the location.

If your student will not take a car to school and the campus is more than 100 miles from home, he or she may qualify for a resident student discount on your policy. This would allow the student to drive your family vehicles when visiting home on vacations or weekends and may extend through the summer. Keeping those grades up can help, too — good student discounts don't end with high school!

Personal Property Insurance

If your undergraduate lives in a dorm, your homeowners insurance may cover personal property, up to a stated percentage of your total coverage (typically 10%). Check your policy and compare any coverage limits on dorm-room protection with the total value of the items your student intends to take. You might consider purchasing a separate student policy that offers more specific coverage in dorms and on campus, often with low deductibles.

If your student lives in an off-campus apartment, your homeowners policy will generally not provide coverage, so it would be wise to consider renters insurance. Be sure to ask your insurance agent about the specific coverage in your policy as it applies to your student's living situation.