"About the Medicare Situation"

By Tommy Williams, CFP®

Mid-July proved to be good for a lot of stocks, but not bank stocks. The S&P 500 and the Dow Jones both finished at record highs on July 14th. *Barron's* indicated investors owe Federal Reserve Chair Janet Yellen a debt of gratitude:

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"The main force behind the rally was the dovish performance by Federal Reserve Chair Janet Yellen in Congress on Wednesday and Thursday when she reiterated that rate hikes would most likely be gradual. On balance, her remarks were interpreted as evidence of continued accommodative monetary policy and, from there, stocks were off to the races. The ignition of the rally can almost be time-stamped to her appearance. Before her speech, the market was down for the week."

Of course, some sectors of the stock market did better than others that week. In the S&P 500, Real Estate, Information Technology, and Consumer Staples stocks had the highest percentage gains, while Financials, Telecommunications, and Consumer Discretionary stocks lagged, according to *Fidelity*.

In the Financials sector, banks were the weakest performers, closing mid-July almost a full percent lower. It was a bit of a mystery, wrote *Financial Times (FT)*, since several banks beat earnings expectations. *FT* reported:

"Perhaps the most important factor that weighed on bank stock prices, however, had nothing to do with the comments from executives, nor the quarterly financial results. Macroeconomic data published on [July 14th] showed U.S. inflation at the consumer level cooled [in June] while retail sales fell short of estimates, pushing Treasury bond yields lower. Lower interest rates are bad news for banks, which make more money if they can charge borrowers more."

Investors appear to believe there is smooth sailing ahead. The *CBOE Volatility Index* remained below 10. While investors remain on cloud nine, those of you who may be counting on Medicare for your healthcare expenses may not want to relax quite yet. According to a recent article published by the *Washington Post*,

"The trust fund that pays Medicare's hospital expenses will run out of money in 2029,…according to a federal report. The Social Security program will remain solvent until 2034. Together, Medicare and Social Security comprised 42 percent of federal program spending in 2016. Medicare covered 56.8 million beneficiaries in 2016 and Social Security provided benefits for 60.9 million people. The trustees include representatives of the Treasury Department, Health and Human Services, Labor and Services, Labor and Social Security. They noted that the growth in national health spending in the U.S. has slowed in recent years. But they said it was unclear how much of that reflected the temporary effects of the economic downturn, as opposed to systemic changes in how health care is being used and paid for that could result in savings in years to come. The slowdown in growth helped keep the Medicare program solvent for an additional year longer than the last projection. 'The trajectory is still alarming. That is why the trustees issue the warning that we do – the same warning that has been issued for years now – that Congress must act to ensure the long-term fiscal viability, sustainability and survival of Medicare and Social Security,' said Health and Human Services secretary Tom Price. 'A combination of an aging population and tepid economic growth has produced the projected short-falls for both Social Security and Medicare…persistent and strong economic growth can help bring these programs to sustainable solvency," said Treasury Secretary Steven Mnuchin.

As of this month I have joined your ranks – I too, am on Medicare. All of us born in 1952 will join the club this year and make those decisions – you know part A, B, D, etc. Rest assured I'll keep you informed as the issue of health care rages on.

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