One Financial - Monthly News

Helping Shape Your Future

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As we enter August, many families are still uncertain how children will return to school - regardless if they're young children or college students. Understandably, some parents are anxious about their child's education and health safety. We get that these are still trying times - yet we are so pleased that investment portfolio seem to have recovered from the March panics.

We still remain cautious on the short-term as the U.S. deals with multiple uncertainties: the COVID-19 pandemic, a viable vaccine, riots, upcoming election results, foreign relation tensions - not to mention wondering how we, as taxpayers, will repay for all the stimulus distributions. With what seems as doom and gloom, reminds us to focus on what we can control and helping you work your financial plan. Be sure to keep us updated if anything has changed in your financial picture. Stay well and enjoy the remainder of the summer.

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

The Changing College Landscape

The 2020-2021 academic year is right around the corner, and the coronavirus pandemic has upended the college world, like everything else. Not only has COVID-19 impacted short-term college operations and student summer plans, but the virus could end up being the catalyst that changes the model of higher education in the long term. Here are some things to know about the changing college landscape.

College funds. Market volatility has been at record high levels this year, and college nest eggs may have taken a hit. Parents who have lost their jobs or otherwise suffered significant economic hardship due to COVID-19 might reach out to their child's college financial aid office to inquire about the possibility of a revised aid package, if not for fall then for spring.

Parents of younger children may want to review their risk tolerance and time horizon for each child's college fund. Parents who are using a 529 plan to save may have experienced one of the drawbacks of these plans in 2020: the restriction that allows only two investment changes per year on existing 529 account balances. This limitation can make it more difficult to respond to changing market conditions.

Student loan payment pause. The Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted in March 2020 created a six-month automatic suspension of student loan payments for millions of federal student loan borrowers, along with a six-month interest freeze. The six-month period ends on September 30, 2020. Borrowers who anticipate having trouble restarting their monthly payments in October can contact their loan servicer to inquire about eligibility for an income-driven repayment plan.

Potential refund for spring room and board. Colleges were one of the first sectors to act in the early days of the coronavirus outbreak, asking students to extend their spring breaks in March and then directing them to stay home for the rest of the semester and finish classes online. Many colleges offered partial refunds for room-and-board costs for March, April, and May, but only for students living in dorms and on a college meal plan, not for off-campus students. If you think your son or daughter may have been entitled to a refund and didn't get one, contact the college to inquire.

Updated health guidelines for fall. Students heading back to college will likely find updated guidelines on social distancing and best practices for health and wellness, with potential restrictions on almost every facet of college life, including living in dorms, attending classes, eating in dining halls, and participating in student activities. Some programs may be limited or unavailable, such as studying abroad. Make sure your child has up-to-date health insurance and knows how to contact the campus infirmary if the need arises.

Interest Rates on Federal Student Loans

Interest rates on federal student loans have decreased to record lows for the 2020-2021 academic year. The new rates apply to federal Direct and PLUS Loans disbursed July 1, 2020, through June 30, 2021.

	2020–2021	2019–2020
Direct Loans: Undergraduates	2.75%	4.53%
Direct Loans: Graduate Students	4.30%	6.08%
PLUS Loans: Parents and Graduate Students	5.30%	7.08%

Source: U.S. Department of Education, Office of Federal Student Aid, 2020

Expanded online learning. Many colleges were already offering online classes before the coronavirus outbreak, but the pandemic shined a spotlight on this critical capability. Look for colleges to ramp up their online course offerings and make them more widely available to all students, not only during times of crisis but as part of a typical semester's course offerings. Some colleges might even require their fall semesters to be entirely online. Students will need to continually embrace new technology related to remote learning.

College selection. The coronavirus may have a long-term impact on how students choose colleges going forward. Cost is likely to play an even greater role, as many families may have less income and savings to put toward college expenses. This is likely to sharpen the focus on a college's net price. Location may also play an outsized role. Will students choose colleges closer to home for logistical and personal reasons? If so, look for state flagship schools to become even more popular, which will in turn increase their competitiveness.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

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

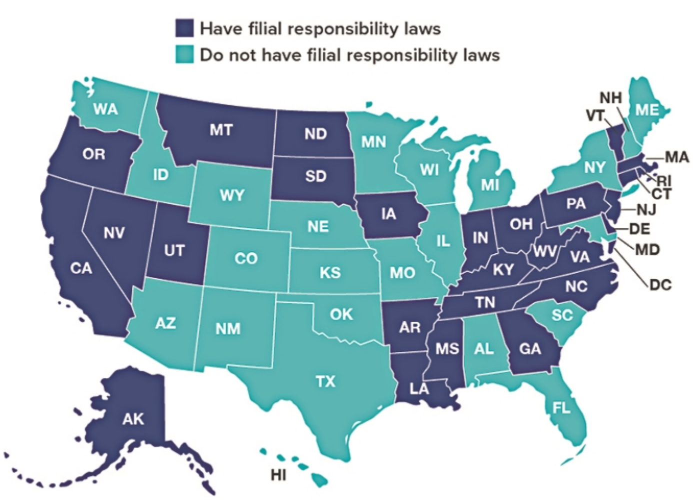
In 26 states (and Puerto Rico), laws generally hold children financially responsible for certain debts of their parents. These laws are referred to as filial responsibility laws (or filial support or filial piety laws).

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.

Debit or Credit? Pick a Card

Americans use debit cards more often than credit cards, but they tend to use credit cards for higher-dollar transactions. The average value of a debit-card transaction in 2018 was just $36, while credit-card transactions averaged $89.[1]

This usage reflects fundamental differences between the two types of cards. A debit card acts like a plastic check and draws directly from your checking account, whereas a credit-card transaction is a loan that remains interest-free only if you pay your monthly bill on time. For this reason, people may use a debit card for regular expenses and a credit card for "extras." However, when deciding which card to use, you should be aware of other differences.

Fraud protection. In general, you are liable for no more than $50 in fraudulent credit-card charges. For debit cards, a $50 limit applies only if a lost card or PIN is reported within 48 hours. The limit is $500 if reported within 60 days, with unlimited liability after that. A credit card may be safer in higher-risk situations, such as when shopping online, when the card will leave your sight (as in a restaurant), or when you are concerned about the security of a card reader. If you regularly use a debit card in these situations, you may want to maintain a lower checking balance and keep most of your funds in savings.

Merchant disputes. You can dispute a credit-card charge before paying your bill and shouldn't have to pay it while the charge is under dispute. Disputing a debit-card charge can be more difficult when the charge has been deducted from your checking account, and it may take some time before the funds are returned.

Rewards and extra benefits. Debit cards offer little or no additional benefits, whereas some credit cards offer cash-back rewards, and major cards may include extra benefits such as travel insurance, extended warranties, and secondary collision and theft coverage for rental cars (up to policy limits). Of course, if you do not pay your credit-card bill in full each month, the interest you pay can outweigh any financial rewards or benefits.

Credit history. Using a credit card can affect your credit score positively or negatively, depending on how you use it. A debit card does not affect your credit score.

Considering the additional protections and benefits, a credit card may be a better choice in some situations — but only if you pay your monthly bill on time.

1) Federal Reserve, 2019