Financial Stewardship

Helping You Make Wise Financial Choices

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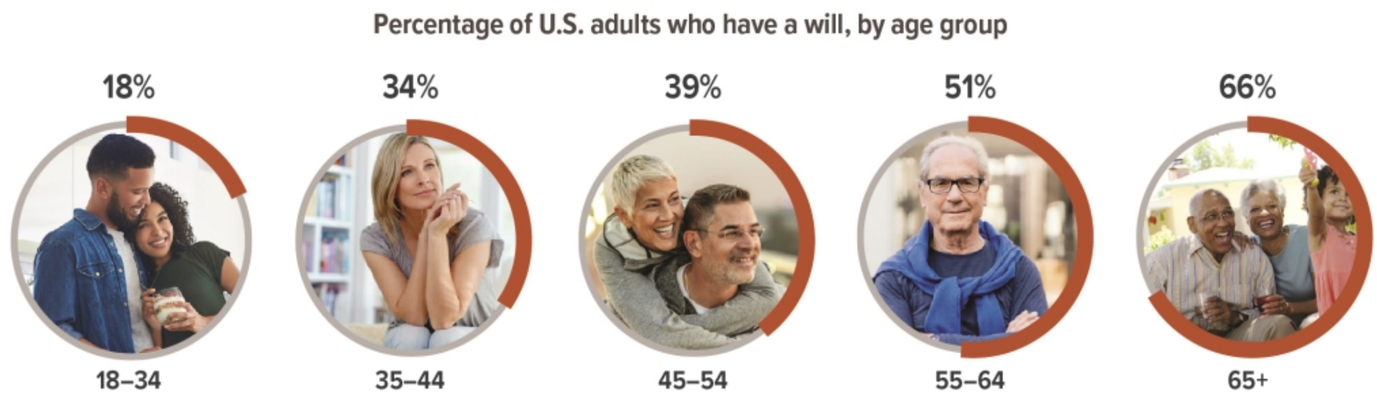
I got to watch Grayson compete in a tournament earlier this month and he has another today. It is a great delight and privilege to watch him play. One of the benefits of the stay home and stay safe, is that we are getting to meet more people in our neighborhood.I enjoy being a resource and helping you. If your family or friends could benefit like you, please introduce us or share this newsletter with them.

If you would like prayer, please let me know.

As the brokerage industry experiences consolidations, we also will be making changes before the end of 2020. I will keep you posted as I know more and you may receive disclosure in the mail. Feel free to call or email any questions.

Do You Have a Will?

Although 76% of U.S. adults say having a will is important, only 40% actually have one. The most common excuse is, "I just haven't gotten around to it." It's probably not surprising that older people are more likely to have a will, but the percentage who do is relatively low considering the importance of this legal document.



Source: Caring.com, 2019

Four Things to Consider Before Refinancing Your Home

Mortgage refinancing applications surged in the second week of March 2020, jumping by 79% — the largest weekly increase since November 2008. As a result, the Mortgage Bankers Association nearly doubled its 2020 refinance originations forecast to $1.2 trillion, the strongest refinance volume since 2012.[1]

Low mortgage interest rates have prompted many homeowners to think about refinancing, but there's a lot to consider before filling out a loan application.

1. What is your goal?

Determine why you want to refinance. Is it primarily to reduce your monthly payments? Do you want to shorten your loan term to save interest and possibly pay off your mortgage earlier? Are you interested in refinancing from one type of mortgage to another (e.g., from an adjustable-rate mortgage to a fixed-rate mortgage)? Answering these questions will help you determine whether refinancing makes sense and which type of loan might best suit your needs.

2. When should you refinance?

A general guideline is not to refinance unless interest rates are at least 2% lower than the rate on your current mortgage. However, even a 1% to 1.5% differential may be worthwhile to some homeowners.

To determine this, you should factor in the length of time you plan to stay in your current home, the costs associated with a new loan, and the amount of equity you have in your home. Calculate your break-even point (when you'll begin to save money after paying fees for closing costs). Ideally, you should be able to recover your refinancing costs within one year or less.

While refinancing a 30-year mortgage may reduce your monthly payments, it will start a new 30-year period and may increase the total amount you must pay off (factoring in what you have paid on your current loan). On the other hand, refinancing from a 30-year to 15-year loan may increase monthly payments but can greatly reduce the amount you pay over the life of the loan.

3. What are the costs?

Refinancing can often save you money over the life of your mortgage loan, but this savings can come at a price. Generally, you'll need to pay up-front fees. Typical costs include the application fee, appraisal fee, credit report fee, attorney/legal fees, loan origination fee, survey costs, taxes, title search, and title insurance. Some loans may have a prepayment penalty if you pay off your loan early.

4. What are the steps in the process?

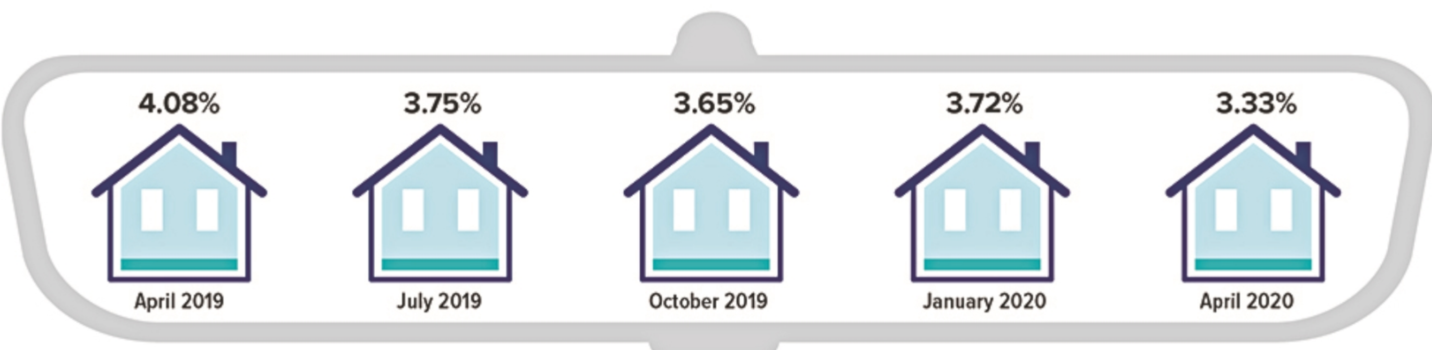
Start by checking your credit score and history. Just as you needed to get approval for your original home loan, you'll need to qualify for a refinance. A higher credit score may lead to a better refinance rate.

Next, shop around. Compare interest rates, loan terms, and refinancing costs offered by multiple lenders to make sure you're getting the best deal. Once you've chosen a lender, you will submit financial documents (such as tax returns, bank statements, and proof of homeowners insurance) and fill out an application. You may also be asked for additional documentation or a home appraisal.

1) Mortgage Bankers Association, March 11, 2020

Rear-View Look at Mortgage Rates

In a single year, the average rate for a 30-year mortgage fell by 0.75%. Low mortgage interest rates often prompt homeowners to refinance.



Source: Freddie Mac, 2020 (data as of first week of April 2020)

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

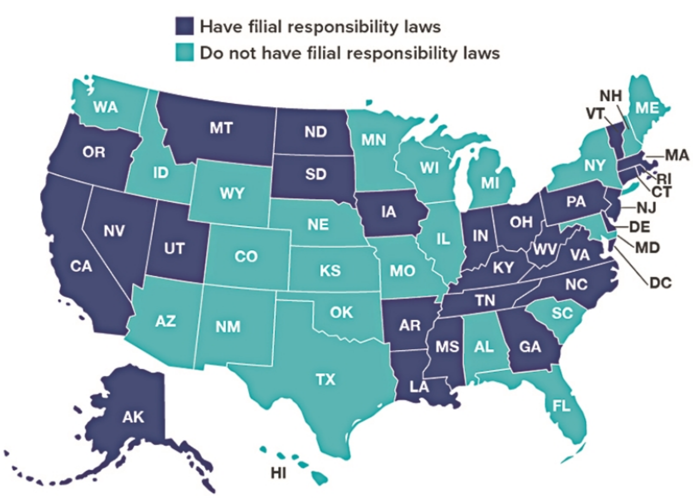
In 26 states (and Puerto Rico), laws generally hold children financially responsible for certain debts of their parents. These laws are referred to as filial responsibility laws (or filial support or filial piety laws).

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.

Three Things to Consider Before Your Next Trip

The health and economic crisis created by the coronavirus (COVID-19) pandemic will have a long-lasting impact on how we all will travel going forward. And though it may be difficult to think about planning a trip during these uncertain times, here are some things to consider if you do decide to travel.

1. Check your travel provider's cancellation policy. As a result of the coronavirus pandemic, many airlines and hotels have relaxed their cancellation policies by waiving traditional cancellation and change fees. The type of reimbursements will vary, depending on your travel provider, but may range from full refunds to vouchers/credit for future travel. It's important to contact your travel provider directly to find out their individual cancellation policies before booking.

2. Be aware of travel advisories. During the height of the coronavirus pandemic, global travel advisories were at an all-time high, and domestic travel advisories were issued for certain geographic areas within the United States. Your first step before planning any travel should be to check the travel advisories for your destination. Be sure to visit the U.S. Department of State website at state.gov, along with your state and local government, for up-to-date travel warnings.

3. Read the fine print. Before you purchase a trip cancellation/interruption insurance policy, read the fine print to determine what is specifically covered. Typically, it will reimburse you only if you cancel your travel plans before you leave or cut your trip short due to an "unforeseen event" such as illness or death of a family member. Most policies with cancellation and interruption coverage will exclude a "known event" such as COVID-19 once it's declared an epidemic or pandemic.

If you are concerned about having to cancel or cut short a trip due to the coronavirus pandemic, one option you may have is to purchase additional "cancel for any reason" (CFAR) coverage. This is usually an add-on benefit to certain traditional trip insurance policies and allows you to cancel your trip for any reason up to a certain date before your departure (typically 48 to 72 hours) and will reimburse a percentage of your trip cost.

CFAR coverage can cost quite a bit more than a basic trip cancellation/interruption policy and may have additional eligibility requirements. In addition, you usually have to purchase CFAR coverage soon after purchasing your original policy (typically within two to three weeks).

Schedule an appointment