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Tapering & Medicare Updates

JIM'S JOURNAL

The word tapering has been in the news for several months now. "Tapering" is a term that was introduced to the public, and especially the financial world, on May 22 when U.S. Federal Reserve Chairman Ben Bernanke stated in testimony before Congress that the Federal Reserve might taper (gradually reduce) the bond-buying economic stimulus program known as quantitative easing (QE) in the coming months.

Almost everyone in the financial world took this "hint" of tapering as a foregone conclusion that the bond buying stimulus program would be reduced. The question that preoccupied the financial world was not whether tapering would take place – that appeared to be a given. The discussion centered around how much the reduction would be. Most analysts figured the \$85 billion dollar monthly stimulus would be reduced by about 10%. A few Fed watchers even thought a 15% reduction was possible.

As Jim Nabors used to say on the television show, *Gomer Pyle, U.S.M.C.*, – "surprise, surprise, surprise." On September 18th, the Federal Reserve surprised almost everyone by keeping the program intact without any tapering. The initial market reaction was very positive. The DOW rose to a closing high of 15,676.94, a gain of 147.21 points on the day or the equivalent of a 0.9% return. Not to be left out, bond prices registered their strongest gains since November 2011, foreign stocks surged and commodity prices were strong as well. The euphoria was short lived, however. As I write this newsletter the DOW ended today at 15,273.26 and gains from many other sectors have been erased.

In a historical perspective, the financial rescue of the U.S economy began in October 2008 under the Bush Administration with the Troubled Asset Relief Program (TARP). After several major financial institutions (Lehman Brothers, Fannie Mae, Freddie Mac and AIG) collapsed, TARP was enacted to create liquidity in the financial markets. An economic stimulus program (termed Quantitative Easing 1) was initiated during the first term of the Obama Presidency and created through the Federal Reserve in November 2008. After QE1 ended in March 2010, QE2 began in November 2010 and lasted until June 2011. QE3 began in September 2012 and continues through today. In addition to the QE programs, another Federal Reserve program known as Operation Twist began in September 2011 and ended in December 2012. Unlike the Quantitative Easing programs, Operation Twist did not add new cash to the money supply. Its mission involved the Fed selling shorter term bonds that the Fed already owned to purchase longer-term bonds. Twist attempted to add financial stimulus to the economy without printing more money and without expanding the Fed's balance sheet. The hope was to avoid the inflationary pressures associated with the QE stimulus programs.

After all is said and done, the primary goal of the stimulus programs was/is to jump-start the economy. Has it worked? I guess it depends upon who you talk to. Supporters of the program say the economy would be in far worse shape than it is now. Critics of the program say: the economy is improving but very gradually, unemployment is still very high, the stock market has had a good run but for the wrong reasons - U.S. stocks are trading based upon stimulus rather than on corporate profitability and, last but not least, future generations will be saddled with the huge debt created by the stimulus programs. The magnitude of the stimulus programs are unprecedented in U.S. history. They are an economic experiment of which we do not know the outcome. Hopefully, we all live happily ever after.

Changing directions for a few minutes, let's end with some "need to know" information on Medicare. As you know from my June newsletter, Medicare is a federal health program that covers individuals age 65 or older, individuals of any age with permanent renal (kidney) failure, and certain disabled individuals. The Medicare umbrella consists of four elements: Part A – Hospital Insurance, Part B – Medical Insurance, Part C – Medicare Advantage (formerly known as Medicare+Choice) and Part D – Prescription Drug Insurance .

Current Medicare participants are paying \$99.90 in 2013 as their contribution for the Part B (outpatient services) premium. Although the final premium number will not be announced until late October, increases could range between 5 and 10 percent. Medicare Advantage (Part C) plans are estimated to rise, on average, about 5% next year. However, the real price increases will be seen in Part D – Prescription Drug Insurance.

According to Avalere Health, a health-care consulting and research company, seventy percent of the top ten stand-alone drug plans will have double-digit percentage price increases in 2014. Since open enrollment for prescription drugs and Advantage Plans begins October 15 and runs thru December 7, the time to start shopping is now. You cannot assume the drug plan you have this year will be the best plan for next year. The following resources can provide free assistance: Medicare Plan Finder on www.Medicare.gov, State Health Insurance Assistance at 800-803-7174 and Medicare Rights Center at 800-333-4114. In addition, a fee-based consultant such as Allsup Medicare Advisor (866-521-7655) can provide a personalized plan and phone consultation.

Our guest article this month will be the continuation and final part of *Medicaid Myths: A Grain of Truth, but Mostly Myth*. I hope that you have gained valuable information from the insights presented. Enjoy the beautiful colors, sights, sounds and smells of autumn- we all know what comes after that. Take good care!!!

MEDICAID MYTHS; A Grain of Truth, but Mostly Myth

Part III of III — Continued from July & August Newsletter

14. Myth: "My power-of-attorney automatically has the power to create a Qualified Income Trust on my behalf, if I ever need Medicaid."

FACT: Your agent under the durable power of attorney will only be able to create a Qualified Income Trust on your behalf if your power of attorney was either drafted after October 1995 or contains a specific grant of authority to create trusts in general or Qualified Income Trusts specifically. Most powers of attorney do not contain this authority.

Although some powers of attorney may contain a general paragraph concerning trusts, read them carefully. Usually these provisions are limited to transferring your assets to an existing revocable trust or creating a revocable trust for your benefit. Neither of these provisions is sufficient to authorize the creation of a Qualified Income Trust. It is very important that you consult with an elder law attorney when you decide to create new or review your existing powers of attorney and estate plans

15. Myth: "My income may have to be used to pay my spouse's nursing home bill."

FACT: This is not true in Michigan or the majority of other states.

16. Myth: "All of my spouse's income must be used to pay the bill if my spouse is on Medicaid in a nursing home."

FACT: The law allows you to keep a portion of your spouse's income if your income is below certain limits. In addition to this allowance, you may be entitled to a greater allowance if the cost of maintaining your home exceeds a certain amount or if a state hearing officer or a judge orders a greater allowance.

17. Myth: "I can hide my assets and get eligible for Medicaid."

FACT: Intentional misrepresentation in a Medicaid application is a crime and can be costly. The IRS shares any information concerning income or assets you have with the state agency that administers the Medicaid Program. You or whoever applied may have to pay Medicaid back to avoid prosecution.

18. Myth: "Medicaid rules that applied to my neighbor when he went in a nursing home will also apply to me."

FACT: Medicaid rules change VERY FREQUENTLY, so don't count on the law that applied to your neighbor still applying to you. The Deficit Reduction Act of 2005 which went into effect February 8, 2006 made significant changes. Administrative rule making is still catching up. Also, there may have been facts about your neighbors situation that you just don't know. It's best to have your personal situation analyzed by a competent elder law attorney.

19. Myth: "If my spouse is in a nursing home or may need long-term care assistance, I should leave all my money to my kids so she isn't disqualified for benefits if I should die first."

FACT: While many individuals and attorneys have used this method of planning, due to a change in the law that went into effect October 1, 2001 and February 8, 2006, special planning is now required when your spouse receives or may require long-term care benefits after your death. This is a very complicated and emerging area of the law, so it is very important to consult with a qualified elder law attorney as soon as possible if this issue applies to you.

20. Myth: The Medicaid application is only a few pages long, why do I need an attorney to help me fill it out?

FACT: While it is true in Michigan that the actual patient portion of the application is about 6 pages long, frequently the Medicaid application and supporting documentation can be up to 1,000 pages! It is *solely the burden of the applicant* to prove their eligibility to the DHS. This requires extensive documentation of assets and their values at dates set down in the regulations. Most people are hard pressed to be able to determine what is actually required and then be able to collect and file this voluminous documentation. It is said that the average DHS caseworker has between 200-300 active cases at anyone time that they must deal with. While they are often very helpful and sympathetic, they simply cannot provide direction as to the myriad requirements due to their workload. Once an application is submitted it is either granted or rejected.

We find that submitting a clear and complete, well documented, organized and easy to understand application to DHS with all required accompanying documentation, is the best way to get quick approval. This helps ensure your peace of mind in what are certainly already trying times.

Final installment of Parts I, II & III (1-20) from July, August & September Newsletters via Handout provided from The Huron Valley Adult Ed program update on Medicaid by Jack Bolling.

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