



**Steven Fenyves, CFP, CFS**  
**Valued Wealth Management, Inc.**  
 5255 N. Federal Highway • Suite 330 • Boca Raton • FL • 33487  
 561-392-4646  
 STEVEN@VALUEDWEALTH.COM • www.ValuedWealth.com



Hello Again,

We've made it to August. The coronavirus is still with us. In places like Florida, Texas and Arizona, it's more rampant than ever. Please stay safe!

The stock market is trading within a range and is showing some signs of weakening. Not only is this ok, but it's healthy for a market to do this periodically. We are still working to balance growth and safety in advisory portfolios. I am happy with the results of those efforts so far.

If you have any questions or concerns, please call or email us right away at [Steven@ValuedWealth.com](mailto:Steven@ValuedWealth.com)

Best wishes,  
 Steven

## 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

# Tapping Retirement Savings During a Financial Crisis

As the number of COVID-19 cases began to skyrocket in March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation may make it easier for Americans to access money in their retirement plans, temporarily waiving the 10% early-withdrawal penalty and increasing the amount they could borrow. Understanding these new guidelines and the other rules for loans and early withdrawals may help you determine if they are appropriate options during a financial crisis. (Remember that tapping retirement savings now could risk your financial situation in the future.)

## Penalty-Free Withdrawals

The newest exception to the 10% early-withdrawal penalty allows IRA account holders and retirement plan participants to take distributions of up to \$100,000 in 2020 for a "coronavirus-related" reason.\* These situations include a diagnosis of COVID-19 for account owners and certain family members; a financial setback due to a quarantine, furlough, layoff, or reduced work hours, and in the case of business owners, due to closures or reduced hours; or an inability to work due to lack of child care as a result of the virus. This temporary exception augments the other circumstances for which a penalty-free distribution is typically allowed:

- Death or disability of the account owner
- Unreimbursed medical expenses exceeding 7.5% of adjusted gross income (increases to 10% in 2021)
- A series of "substantially equal periodic payments" over your life expectancy or the joint life expectancy of you and your spouse
- Birth or adoption of a child, up to \$5,000 per account owner
- Certain cases when military reservists are called to active duty

In addition, IRAs (but not work-based plans) allow penalty-free withdrawals for a first-time home purchase (\$10,000 lifetime limit), qualified higher-education expenses, and payments of health insurance premiums in the event of a layoff.

Work-based plans allow exceptions for those who separate from service after age 55 (50 in the case of qualified public safety employees) and distributions as part of a qualified domestic relations order.

## Tax Consequences

Penalty-free does not mean tax-free, however. In most cases, when you take a penalty-free distribution, you must report the full amount of the distribution on your income tax return for that year. However, the income associated with a coronavirus-related distribution can be spread over three years for tax purposes, with up to three years to reinvest the money.<sup>1</sup>

## Retirement Plan Loans

If your work-based retirement plan allows loans, you typically can borrow up to the lesser of 50% of your vested balance or \$50,000. Most loans must be repaid within five years, but if the money is used to purchase a primary residence, the repayment period may be longer. The CARES Act permits employers to increase this amount to the lesser of 100% of the vested balance or \$100,000 for loans to coronavirus-affected individuals made between March 27, 2020, and September 22, 2020.\* Affected participants who have outstanding loans on or after March 27, 2020, will be able to delay any payments due in 2020 by one year.<sup>2</sup>

## Hardship Withdrawals

Many work-based retirement plans also permit hardship withdrawals in certain circumstances. Although these distributions are not exempt from the 10% early-withdrawal penalty, they can be a lifeline for people who need money in an emergency.

For more information about your options, contact your IRA or retirement plan administrator.

\*Employers do not have to adopt the new withdrawal and loan provisions.

1) Amounts reinvested may reduce your tax obligation on the distributions; however, due to the timing of distributions and required tax filings, you may have to file an amended return to seek a refund on any taxes previously paid on withdrawn amounts. 2) The original five-year repayment period will be extended for the delay, but interest will continue to accrue. 3) Source: Plan Sponsor Council of America, 2019 (2018 data)

## Five Industries Most Likely to Offer Retirement Plan Loans

Percentage of plans that offer loans, by type of industry<sup>3</sup>



# 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.

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.

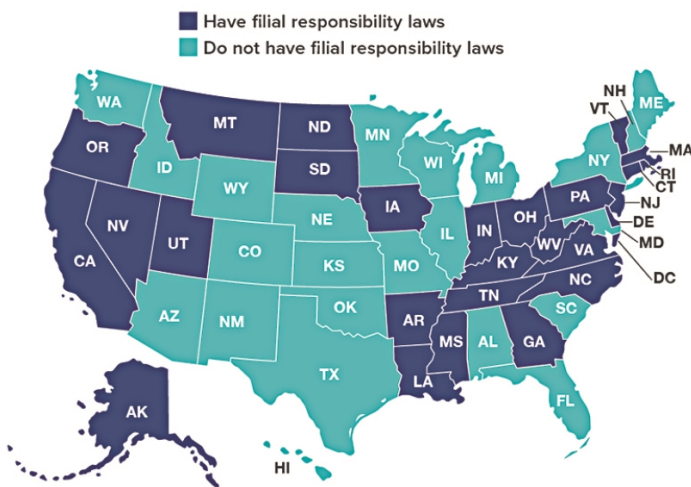
Under current rules, there is a five-year look-back period from the time the application for Medicaid is made. Gifts made during this look-back period may disqualify an applicant from receiving benefits for a certain period, which could be up to several months. In Connecticut, for example, nursing homes 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.

---

## States with Filial Responsibility Laws, 2019



# 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](https://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).

---

Securities offered through Securities America, Inc. Member FINRA/SIPC and Advisory services offered through Securities America Advisors. Valued Wealth Management and Securities America are separate entities. Securities America does not provide tax advice. Neither Forefield Inc. nor Forefield Advisor™ provides legal, taxation or investment advice.

All the content provided by Forefield is protected by copyright. Forefield claims no liability for any modifications to its content and/or information provided by other sources.