Financial Advice
In the Age of COVID

Presented By: Carolyn McClanahan, M.D., CFP®
Twitter @CarolynMcC
Overview

• Coronavirus and your practice
• Insurance planning
• Long term care
• Estate planning
• Projections
• Health Insurance
Coronavirus and Your Practice
Carolyn McClanahan @CarolynMcC · Mar 8, 2013
No one will worry about the stock market, politics, or anything else when this nasty coronavirus hits - 1.usa.gov/XX3jrf #liveitupnow

Carolyn McClanahan @CarolynMcC · May 12, 2013
2nd case of coronavirus reported in France. People should worry about this instead of money and politics #pandemic cnn.com/2013/05/12/hea...

Carolyn McClanahan @CarolynMcC · May 15, 2013
More news on coronavirus. I think this is our next black swan. cnn.com/2013/05/15/hea...

Carolyn McClanahan @CarolynMcC · Jun 2, 2013
Replying to @MichaelKitces
And the novel coronavirus will rise any day now! @MichaelKitces @ClientChemistry @DaveRamsey @behaviorgap #MERS

Carolyn McClanahan @CarolynMcC · May 27, 2013
Replying to @WHO
We should be nervous MT @WHO: DrChan on #coronavirus: New disease emerging faster than our understanding is never under control #WHA66 #MERS

Carolyn McClanahan @CarolynMcC · May 12, 2013
Replying to @PublicAdvocacy
Not as badass as #SARS but close. "@PublicAdvocacy: @WHO sounds warning on coronavirus strain aje.me/10QpRXL #liveeveryday
SCIENCE IS MESSY AND TAKES TIME
How Bad Is Coronavirus?

• Basically a cold virus - easy to spread
• Replicates for a while without detection
• The body unleashes its immune system – for some people, it attacks both the virus and their own body
• Why doesn’t everyone react this way?
  – Multifactorial – hypertension, previous exposure to other coronaviruses
And Now the Variants

• Massive infection allows for more genetic mutations
• Vaccines are providing protection and preventing death, and who knows for how long?
• Will likely see “booster shots” for the vaccine in the future
Vaccines

• Yay we have vaccines!
• Three in the U.S. so far - more to come
• Great safety profile
• Get whichever one you get access to first
  – All stop death and hospitalization
Vaccines

Pfizer and Moderna – mRNA vaccines
• Two shots
• Ultra cold storage

Johnson & Johnson – modified virus
• One shot
• No ultra cold storage

AstraZeneca – modified virus
• Not yet available and having some issues
Vaccines

• Two weeks after full vaccination – can visit in small groups indoors without masks

• Can go without masks indoors with unvaccinated people who are at low risk of severe disease

• No need to quarantine after exposure
Vaccines

• We don’t know how long immunity will last, but most likely not a lifelong vaccine

• People with history of severe allergic reactions (in general) need to get the vaccine in controlled situations
Masks and Physical Distancing

- Inside versus outside
- The bigger the distance, the better
- Masks protect others more than they protect you
- Double masking protects you
- We need to wear masks until true herd immunity has occurred – about 80 - 90% of people vaccinated or with prior infection
Herd Immunity

Herd immunity through active infection is foolish

• Allows for the rise of genetic mutations
• Overwhelms the medical system
• Avoiding disease allows time for better science to know best treatments
• 1/3 risk of Long COVID
Testing

Antigen testing

• This checks for protein fragments of the virus indicative of active infection
• Takes minutes
• Minimal false positives
• Higher false negatives than PCR
  – Early infection more likely to have false negative
• Don’t get lazy after a negative test
Testing

PCR Test

• This checks for viral genetic material indicative of active infection
• Takes hours to days
• Minimal false positives
• False negatives more likely
  – Longer you are sick, more likely it will be negative
• Deep nasal swab is best
Testing

Antibody Testing

• This checks for evidence of prior infection
• Takes a few days
• High false negative rate if done too early
• High rate of false positives, especially in areas of low disease burden
• Unknown if antibodies protect against future disease
What To Do About Your Practice

• Embrace working remotely – at least until case load is low and most of the population has been vaccinated

• Don’t worry about disinfecting surfaces

• Pay attention to research on workplace safety
  – Ventilation
  – Lighting
Coronavirus and Insurance Planning
Underwriting

• Relaxed exam requirement
• Algorithms replacing exams
• If diagnosed with COVID19, underwriter will dig deeper
Underwriting

• Do not go to the doctor to be “checked out” if you feel totally fine after COVID if you are applying for insurance.
  • Illness creates symptoms
  • Doctors get paid fee for service – the more they do, the more they get paid
  • Many people have “nothingburgers” and “fascinomas” that testing may uncover
Underwriting

• Abnormal results need follow up

• Patient will be labelled with a diagnosis for the testing to be paid for

• Now the patient has a label that may make them uninsurable or raise the cost of insurance
Life Insurance

- You have to be totally healthy at least 30 days
- If you were hospitalized, they will dig deeper
Disability Insurance

• Reduced hours affects disability payouts

• Long COVID is being treated like any other chronic illness with lack of objective findings
Disability Insurance

For clients with Long COVID

• Have them keep a diary of symptoms
• Document all doctors visits, recommendations
• Keep copies of all medical records and tests
• Keep a log of all phone calls including the people on the call and what was said
Coronavirus and Long Term Care Planning
Logistics of Long Term Care

• We will likely see a sea change in how we care for the elderly
• More home based care
• More use of technology
• Shortage of health care workers
Logistics of Long Term Care

Need to consider long in advance

• Where you will age
• Who will help you
• How you will pay for it
Where Will You Age?

Residential care homes

• More personalized care
• Homelike environment
• Better socialization
• Licensed versus unlicensed
  – This will determine what long term care insurance will cover.
Who Will Help You?

• Family
  – Bill paying/finances
  – Home upkeep
  – Health care
  – Errands/etc.

• Spell out responsibilities in advance

• Create family agreements
Who Will Help You?

Hiring help

• 15 hours per day costs about the same as a nursing home facility

• [Genworth cost of care site](#)
How Will You Pay For It?

Long term care insurance

• Traditional versus hybrid
• Cash payments vs reimbursement
  – Cash better if staying at home
Long Term Care Insurance

Changes with COVID

• Restricting applications based on age

• Some stopped taking apps age 69 or over on hybrids; will only do single premiums

• Some stopped face to face assessments – so no coverage over 65
Coronavirus and Estate Planning
Documents

- Review estate planning documents and beneficiaries every year
- Make sure everyone holding an important position is willing to serve
- Is the living will and power of attorney up to date?
Remember the Young Adults

- Health directives
  - [https://prepareforyourcare.org/prepare/7-intro-home](https://prepareforyourcare.org/prepare/7-intro-home)
- Power of attorney documents
- Titling of accounts
Quality of Life Discussions

Has the family discussed what is important about quality of life?

• Communication
• Nutrition
• Grooming
• Interaction
Coronavirus and Financial Planning Projections
Should We Be Projecting An Unpredictable Future?

- Complex adaptive systems
- Planning for the future while maximizing the present
Plan for the Present First

Are you happy?
• If not, why not?

If disaster happens, do you have resiliency?
• Emergency funds
• Insurance
• Skills
• Toilet paper
Plan for the Present First

Psychological preparation for disaster

- Comfort discussing uncomfortable topics
- Every health event is a financial event
- “Fierce Conversations” by Susan Scott
Then Plan for the Future

Savings

• Save enough for the needs
• Try to save for the wants, but not at sacrificing the bucket list at the present
• Must deal with client’s money scripts
Then Plan for the Future

Investing

• People are too aggressively invested in early retirement (unless of course they have loads of money)

• When you focus on meeting immediate needs and goals, it takes away the focus on returns
Projections

Accumulators

• How much will their savings buy at different points versus how much they spend now

Distribution phase

• Focus heavily on actual spending and how long money will last based on 4% to 6% returns
• Don’t delay bucket list items
Projections

Revisit projections EVERY YEAR
Health Insurance
# Health Insurance Coverage

## 2019 Coverage Numbers in Millions (U.S. Census)

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Coverage</td>
<td>183</td>
</tr>
<tr>
<td>Medicare</td>
<td>59</td>
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<tr>
<td>Medicaid</td>
<td>56</td>
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<tr>
<td>Direct Purchase</td>
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<tr>
<td>Uninsured</td>
<td>26</td>
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<tr>
<td>Other</td>
<td>12</td>
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</table>

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2020 Health Coverage Data

• We don’t know yet
  • Estimates are all over the place on how many lost health insurance
• Most who lost jobs didn’t have health insurance
• COBRA subsidies and Medicaid mitigated losses
• Current Unemployment – 10 million compared to pre-pandemic of 5.7 million
Affordable Care Act

• Still alive and kicking

• Case pending in the Supreme Court
  • Posits the law is invalid because there is no penalty for not having insurance
  • Potential outcome – SCOTUS may say:
    • The mandate is unconstitutional and sever it from the law
    • The mandate is unconstitutional and sever all insurance protections
    • The entire law is unconstitutional
Primer on the ACA Before ARP

• If you need individual coverage, it can be purchased on or off the health insurance exchange

• For income between 100% and 400% poverty level, tax credits are available to reduce cost of insurance

• For income below 250%, people also receive lower deductibles (reduced cost sharing)
Primer on the Affordable Care Act

• Those under 133% poverty level qualify for Medicaid – in states that expanded Medicaid

Primer on the Affordable Care Act

• Federal Poverty Level

<table>
<thead>
<tr>
<th>Family Size</th>
<th>100%</th>
<th>133%</th>
<th>250%</th>
<th>400%</th>
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<tbody>
<tr>
<td>1</td>
<td>$12,880</td>
<td>$17,130</td>
<td>$32,200</td>
<td>$51,520</td>
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<td>2</td>
<td>$17,420</td>
<td>$23,169</td>
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<tr>
<td>4</td>
<td>$26,500</td>
<td>$35,245</td>
<td>$66,250</td>
<td>$106,000</td>
</tr>
</tbody>
</table>
Primer on the Affordable Care Act

• Six out of ten of the uninsured qualified for coverage
  • 10.4 million qualify for Medicaid but states didn’t expand coverage
  • 5.2 million qualify for subsidies but either don’t know they qualify or can’t afford insurance even with subsidies
Primer on the Affordable Care Act

• Problem with the subsidies
  • If you make $1 over 400% poverty level, you lose the entire subsidy
  • This could easily be many thousands of dollars!
  • But good news…
At Least Until SCOTUS Speaks

Yay – American Rescue Plan

THIS IS SO EXCITING!!!!!!
Health Insurance Under ARP

- Removes the 400% poverty level cliff on subsidies – now insurance costs are limited to 8.5% of income for two years for those over 400% poverty level
- This lasts for two years
- Many more people qualify for subsidies
- Subsidy calculator - https://www.kff.org/interactive/subsidy-calculator/
Premium Examples

• Family of two age 62 with income of $100,000
  • Premiums limited to 8.5% of income - $8,500
  • Second lower cost Silver plan - $23,839/year (Florida)
  • Tax credit - $15,339/year!!

• And the best part – if income goes up, credit goes down but does not go away
Call Your Clients Now!

- Premium tax credits are retroactive to January
- BUT – you must be signed up for a plan through the Exchange
- SO – if you have a client paying full price for their health insurance and they will receive a tax credit, have them apply now through Healthcare.gov
- The site is not “fixed” for the ARP yet
Call Your Clients Now!

ACA Special Enrollment Period Lasts Until May 15th
ARP Forgiveness of Tax Credit for 2020

• If your client owes a tax credit back for 2020, they will not have to pay it.
  • This is a one time provision
  • Waiting on guidance for those who have already filed their return
  • Can file an amended return if you don’t want to wait on the guidance
COBRA Under ARP

• COBRA premiums subsidized 100% until September 30, 2021
  • Starts April 1, 2021
  • Only for involuntary separation or reduction in hours
  • Also applies to those who have disenrolled or haven’t started COBRA
  • If on COBRA, need to disenroll from current plan and reenroll in a new plan
COBRA Under ARP

• Practical considerations

• If the deductible has already been met under COBRA, need to look at the cost versus benefit of new enrollment

• Example $5,000 deductible with premiums of $500/month – if deductible has already been met, may be cheaper to continue the premiums instead of having a reset deductible

• Depending on income for the year, may be better to go on an ACA plan instead of COBRA, but must make that decision before going on COBRA
COBRA Under ARP

• Practical considerations
  • Since premiums resume in October, if you are already on COBRA, can’t move to an ACA plan until open enrollment, so will have to pay three months of premiums
  • COBRA coverage period is not extended, so if COBRA ends for you in July, so does your premium assistance
  • At that point, you can go on an ACA plan
Unemployment and ACA Coverage

• Even one week of receiving unemployment in 2021 will qualify you for ACA coverage at an income level of 133% poverty level.

• This means no premiums and no cost sharing

• Estimated 900,000 already enrolled under the ACA and 500,000 more are eligible
Other ARP Tidbits

• Provides completely subsidized coverage for those under 150% poverty level – zero premiums

• There is still reduced cost sharing (lower deductibles) if income is less than 250% poverty level

• The expansion is expected to extend coverage to an additional 2.5 million uninsured and lower costs for 15 million people
Other ARP Tidbits

• No relief for people in poverty in non-Medicaid expansion states

• States are being provided extra incentives to expand Medicaid
Future Hopes for the ACA

• Fix the “family glitch” – if a person is employed, their spouse does not qualify for coverage under ACA
  • Often spousal coverage is very expensive
• Tie the ACA benchmark to a Gold plan
• Provide for a public option for insurance
Future Hopes for the ACA

• Don’t expect anything else until year end since the GOP hasn’t shown any inclination in working with the administration

• Without GOP help, any further changes will need to be passed under reconciliation
Questions?
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